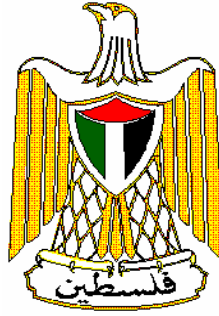




**Palestine Monetary Authority (PMA)**



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



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

# *Quarterly Economic and Social Monitor*

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## Foreword

We are pleased to provide readers with the first quarterly Economic and Social Monitor for 2006. As with every new issue, it not only includes an update of key socio-economic figures, but it also contains new additions and analytical expansions of indicators, such as an analysis of olive presses, agriculture, and cultural institutions.

As well as the quarterly data, in this issue of the Monitor we incorporate analysis of the annual economic and social variables in order to provide readers with a better perspective of their movement over the years. Thus, this issue serves as a good substitute for the previously published annual Economic and Social Monitors. We intend to maintain this new tradition in every first quarter report in order to satisfy the diverse needs of readers and researchers.

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## EXECUTIVE SUMMARY

**National Accounts:** GDP reached US\$1,149.5 million in the 4<sup>th</sup> quarter of 2005, a decline of 2% in comparison to the 3<sup>rd</sup> quarter of the year. GDP per capita also declined in the 4<sup>th</sup> quarter by 1%, arriving at US\$323 per person during the 3-month period. The services sector remained the largest contributor to GDP, with 37.5%.

**External Trade:** The total trade deficit reached US\$2,060.6 million in 2004, an increase of 35.5% over 2003. For the first time a services trade deficit - of US\$1.5 million - was reached in 2004.

**Industrial Sector:** In 2004 the total number of industrial establishments operating in the Palestinian territories declined by 1,000. Moreover, the total number of workers in the sector declined by 2% to reach a total of 59 thousand workers. However, value added in the sector increased by 36.8% and industrial exports rose by 60% in the West Bank and 30% in the Gaza Strip.

**Services Sector:** The total number of establishments operating in the services sector increased by 49% and value added increased by 34.2% in 2004. Employment in the sector increased by 29.9% in the West Bank and 63.5% in the Gaza Strip.

**Internal Trade:** The number of establishments involved in internal trade increased by 26.3% in 2004, while value added rose by 26.2%. However, the productivity of workers in internal trade decreased by 3%.

**Hotel Activities:** The total number of hotels operating in the Palestinian territories increased to 77 during the 4<sup>th</sup> quarter of 2005. Hotel guests increased by 2.3% over the 3<sup>rd</sup> quarter, and the number of workers in the hotel industry increased by 77.

**Agricultural Land:** About 26.1% of land plots were damaged - especially arable land - because of Israeli practices. Olive presses, which numbered 287 in 2005, received 27.3 thousand tons of olives and produced 6.8 thousand tons of olive oil.

**Labour Market:** Labour force participation increased from 40.3% in 2004 to 40.7% in 2005, while female labor force participation decreased from 13.5% to 13.4%. Unemployment decreased from 26.8% to 23.5% in the same period. Job vacancy announcements in the 3 main newspapers numbered 871 in the 1<sup>st</sup> quarter of 2006, a 30% decrease from the previous quarter.

**Investment Indicators:** The number of building licenses issued in the 4<sup>th</sup> quarter of 2005 increased by 68.5% in comparison to the same quarter in 2004, reaching 2,200 licenses. Cement imports also increased during the same period by 20.2%, reaching 406.9 thousand tons. However, the number of newly registered companies (166) declined in the 4<sup>th</sup> quarter by 18.6% in comparison to the 3<sup>rd</sup> quarter of the year.

**Public Finance:** Both public revenues and expenditures increased in the 4<sup>th</sup> quarter of 2005, by 47.1% and 11.4% respectively.

**Banking Sector:** The total assets of banks operating in the Palestinian Territories increased by 2.2% in the 4<sup>th</sup> quarter compared to the 3<sup>rd</sup> quarter of the year. However, credit facilities declined by 0.4% to reach US\$1791.8 million. In the same period, banks' foreign investments increased by 6.2% and non-performing loans increased by 1.4%.

**Exchange Rate Spread:** The exchange rate spread in the Palestinian territories increased from 1.15% in the 3<sup>rd</sup> quarter of 2005 to 1.57% to the 4<sup>th</sup> quarter of the year.

**Palestine Securities Exchange:** Most market indicators declined sharply during the 1<sup>st</sup> quarter of 2005: trading volume fell by 38.7% and the Al-Quds index dropped by 46.3%.

**Purchasing Power and Inflation:** US dollar and Jordanian Dinar exchange rates against the Shekel in the Palestinian territories increased by 2.8% and 2.5% respectively. The increase in exchange rates was higher than the increase in the consumer price index, leading to an increase in purchasing power by 0.42% for the Dollar and 0.06% for the Dinar.

**Attitudes of Industrial Establishment Owners/Managers Regarding Economic Conditions:** Data indicated an increase in positive attitudes, with 42.8% of owners and managers optimistic about conditions of their establishments. They were also more optimistic regarding employment levels and increases in sales volumes.

**Schooling:** The total number of school students reached 1.08 million in the school year 2005/2006, an increase of 3.3% compared to the previous year. During the past ten years, the number of schools has increased by an average of 4.5% per year.

**Health:** The total number of health establishments in the Palestinian territories reached 4,281, of which 75.6% were operated by the private sector. The total number of employees in the sector reached 26,902, with 41% working in the public sector.

**Israeli Measures:** The total number of those killed in 2005 reached 287 people. Israel continued targeting medical staff, Palestinian activists, and foreigners sympathetic to Palestinians. Israel also stepped up its efforts to isolate Jerusalem from the rest of the West Bank.

**Palestinian Prisoners in Israeli Jails:** The total numbers of detainees in Israeli prisons totaled 8,800 at the end of the 4<sup>th</sup> quarter of 2005, including 350 children and 115 women.

**Living Standards and Conditions:** Social and economic conditions continued to remain difficult during the 4<sup>th</sup> quarter of 2005, although some indicators improved slightly. The percentage of households who lost half of their income increased in the Gaza Strip to 58.3%, while a slight improvement took place in the West Bank. The number of families who could sustain themselves for another year increased.

**Social Assistance:** The percentage of households who received assistance during the 4<sup>th</sup> quarter declined to 27.2%; the decline was greater in the West Bank than in the Gaza Strip. There was an increase in the proportion of monetary and food assistance handed out to families, which reached 65.1% of total assistance.

## Main Economic Indicators in West Bank and Gaza Strip

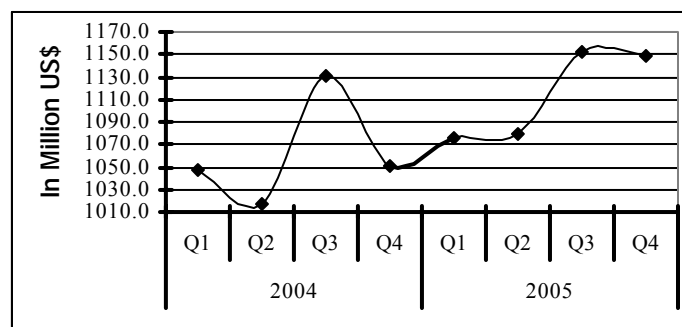
Indicator	2001	2002	2003	2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
GDP (million \$, constant prices)	4325.7	4169.3	4010.8	4131.2	1076.0	1078.9	1152.0	1149.5
GDP per capita (\$, constant prices)	1311.2	1203.4	1184.8	1217.8	310.3	308.5	326.4	323.0
Final consumption (million \$)	4371.8	4284.8	4128.1					
Gross capital formation (million \$)	1186.2	727.2	1126.3					
Government final consumption (million \$)	1326.1	1222.9	1127.2					
Net exports (million \$)	-2550.3	-2050.1	-2487.1	-1843				
Imports (million)	3155.5	2615.1	2929.9	2292				
Exports (million \$)	605.2	565.0	442.8	449				
GNI (million \$, constant prices)	4817.4	4570.7	4372.5					
GNI per capita (\$, constant prices)	1460.3	1319.3	1291.6					
Employment (including workers in Israel, 1000 workers)	508.1	487.1	590.7	604	586	656	657	632
Local employment (1000 workers)	438.5	436.9	533.4	550	526	589	591	572
Employment in Israel (1000 workers)	69.6	50.2	57.3	54	60	66	66	60
Labour force participation rate (%)	38.7	38.1	40.4	40.5	39.7	41.2	41.7	40.3
Unemployment rate (%)	25.5	31.3	25.6	26.8	26.3	21.2	22.7	23.8
Inflation rate (%)	1.23	5.7	4.4	3.0	1.9	-0.45	0.4	2.41
Poverty rate (%)	44	60	72	61	67			
Total public revenues (million \$)*	1092	392.3	676.2	947.3	252.4	340.3	273.83	402.74
Total public expenditures (million \$)	1254	1082.7	1156.9	1511.6	379.0	498.9	467.6	521.0
Surplus before assistance (million \$)	-966.9	-690.6	-480.6	-564.3	-126.6	-158.7	-193.78	-118.26
Surplus after assistance (million \$)	-162	-171.7	42.8	-22.0	0	-2.22	72.93	75.14
Actual foreign assistance (million \$)	1045.8	966.1	1045.5					
Public debt (million \$)	839.7	887.2	914.1	1257	1257			
Deposits from residents (million \$)	3398.8	3430.1	3624.4	3957.8	3992.5	4114.4	4605.8	4612.5
Credit facilities extended to residents (million \$)	1220.6	950.3	1065.7	1420.3	1584.6	1673.2	1798.4	1791.8

\* The methodology for preparing the data concerning public finances relating to the years 1995-2001 is different from data relating to 2002 - 2004 because of different sources. Consequently no comparison can be made between the two sets of data

# 1. National Accounts

Estimates of national accounts for the Remaining West Bank and Gaza Strip (excluding East Jerusalem) released by the Palestinian Central Bureau of Statistics (PCBS) indicate a slight decrease (0.2%) in GDP at constant prices between the third and fourth quarters of 2005, reaching US\$1,149.5 million. The services sector maintained its leading position comprising 37.5% of GDP (see Figure 1).

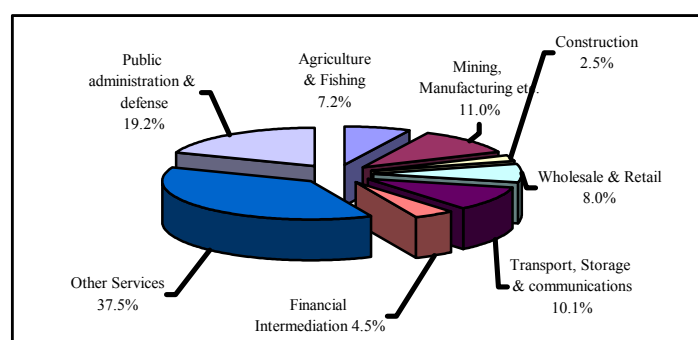
**Figure 1: Gross Domestic Product in the Remaining West Bank and Gaza Strip in Constant Prices (base year 1997)**



Source: Palestinian Central Bureau of Statistics, Press Release on preliminary Estimates of GDP, Fourth Quarter, 2005.

Several changes occurred regarding the relative contribution of the various economic sectors to GDP. The share of mining, manufacturing and electricity and water supplies dropped from 12.0% in the 3rd quarter to 11.0% in the last quarter of 2005, the share of retail and wholesale dropped from 8.3% to 8.0%, the contribution of the construction sector fell from 2.6% to 2.5%, and the contribution of the services sector decreased from 37.7% to 37.5%. On the other hand, the contribution of public administration and defence increased from 18.5% to 19.2%, the contribution of the financial intermediation increased from 4.2% to 4.5%, the contribution of agriculture and fishing improved from 7.0% to 7.2%, and the contribution of transport, storage and communications rose from 9.7% to 10.1%. (See Figure 2)

**Figure 2: Percentage Contribution to GDP by Economic Activity in the Remaining West Bank and Gaza Strip in the Fourth Quarter of 2005**



Source: Palestinian Central Bureau of Statistics, Press Release on Preliminary Estimates of GDP, Fourth Quarter, 2005.

There was a clear fall in the value added by most economic activities in 2004. The value added by hotel and restaurant activities declined by 12.6%, the value added by mining, manufacturing and electricity and water dropped by 8.5%, real estate's dropped by 4.0%, retail and wholesale's value

added dropped by 3.1%, construction's dropped by 3.0%, social and community services' declined by 1.9%, and education's declined by 0.8%. GDP per capita also declined by 1% in the 4th quarter of 2005, arriving at US\$323 for the three months.

## **2. Foreign Trade**

Foreign trade data for the year 2004 shows a clear improvement in trade in comparison to 2003, although the balance of payments continued to deteriorate as a result of larger increases in imports than exports. In fact, the trade deficit reached US\$2,060.6 million in 2004, an increase of 35.5% over 2003. On the other hand, the first deficit in the services trade balance was realized in 2004 as it reached US\$1.5 million. This came after continuous services trade surpluses, with the last surplus in 2003 of US\$11.6 million. The deficit in 2004 was a consequence of the large increase in service imports, especially in telecommunication area exceeding increase in service exports.

### **2.1 Imports**

The value of Palestinian imports reached US\$2,373.2 million, an increase of 31.8%, covering 2,270 different commodities and representing commercial trade with 105 countries. Imports from Israel comprised 73.6% of total Palestinian imports, an increase of 33.5%. Direct foreign imports from the rest of the world reached US\$625.4 million, the European Union represented 32.8% of the total while direct imports from Arab countries amounted to US\$65 million, an increase of 42.3%. Direct imports from the Americas were worth US\$55.9 million, an increase of 30.3% over 2003.

The value of service imports from Israel arrived at US\$94 million, an increase of 52.7%, distributed across 75 different services. Telecommunications services comprised 43.6% of all service imports (an increase of 151.8%) and travel service imports represented 20.2% (an increase of 7.1%), while other services comprised 30.9% of total service imports (an increase of 17.6%).

### **2.2 Exports**

The value of Palestinian exports reached US\$312.7 million, an increase of 11.8%, distributed across 947 commodities. Total exports to Israel represented 89.9% of total Palestinian exports (an increase of 9.8%). Total direct Palestinian exports to the European Union represented 22.1% while direct exports to Arab countries reached US\$19.4 million (an increase of 23.5%). Exports to Jordan were US\$11.9 million, representing 61.5% of total direct exports to Arab countries, while direct exports to the Americas arrived at US\$1.7 million.

Service exports to Israel were valued at US\$92.6 million, an increase of 26.6%. distributed over 65 commodities. Data indicate that 63.8% of service exports comprised other services (intermediation, etc) which increased in value by 18.2%, while construction service exports increased by 32.6% and telecommunications by 159.9%.

## **3. Industrial Sector**

Many economic indicators improved in 2003 in comparison to their levels in 2002, when Israel carried out its military campaign against Palestinians. The calm period extended through 2004, which is reflected in the improvement of many economic indicators. Following is a summary of the most notable industrial sector indicators in the Remaining West Bank and Gaza Strip as per 2004 PCBS economic surveys.

### **3.1 Number of Establishments**

The total number of establishments operating in the Palestinian territories (excluding Jerusalem) was 12,690 in 2004, about a thousand fewer than in the previous year. The majority (70.7%) were located in the West Bank, with 29.3% in the Gaza Strip. The greatest reduction in the number of establishments occurred in the West Bank, where there were 9.8% fewer, while the number in Gaza fell by 0.8%. The textile industry was the worst affected, as the number of establishments fell by over 700. The second worst sector was leather manufacturing and tanning, where the number fell by 380. Two factors contributed to the shrinkage: increased competition from cheaply imported goods from Southeast Asia, and a reduction in the number of subcontracts with Israel in the textile industry in favour of Jordanian and Egyptian firms.

### **3.2 Employment**

Employment in the Palestinian industrial sector was reduced by 1,206 workers, leaving 59 thousand workers in 2004. This decrease mirrored the decrease in the number of establishments. The impact was heaviest in the Gaza Strip, where there were 980 fewer industrial sector jobs compared to 230 in the West Bank. The number of workers in the textile industry shrank by 4,686 while other industries witnessed increased employment. Five main industries employed about 43.7 thousand workers, representing 74% of total employment in the industrial sector. These were manufacturing of metal products (19.6%), textiles (17.4%), food processing (14.5%), metal (excluding machinery) (11.8%) and furniture (10.7%).

### **3.3 Value Added<sup>1</sup>**

The industrial sector's value added significantly increased in 2004, reaching US\$652.6 million, an increase of about 36.5% over 2003. Value added increased in the West Bank by 33% and in the Gaza Strip by 47.7%. This reflects the relative calm period which prevailed in the Palestinian territories from 2003.

The highest increase in value added belonged to electricity and water, whose value added increased by 283% over the previous year. Increases in value added also occurred in the metallic manufacturing (98.6%) and metal (excluding machinery) (92.4%) sectors. Furniture manufacturing, however, witnessed a decrease in value added by 35% in comparison to its high 2003 level. Furthermore, value added in the food processing and textile sectors decreased by 31%.

Changes took place in the relative contribution of various industries to the sectors' overall level of value added. Metal manufacturing was placed first, replacing food processing and comprising 21.0% of total value added in the sector. Food processing retreated to the second position, representing 13.8% of the total. The contribution of furniture and other manufacturing also declined.

### **3.4 Capital Formation and Net Investment**

An important development occurred in the industrial sector's fixed capital formation. Indeed, the Palestinian industrial base recovered most of its losses during the two years of Intifada, and fixed capital formation increased from US\$8.93 million in 2003 to US\$31.69 million in 2004. There was an increase in Gaza's fixed capital formation from US\$0.41 to US\$6.86 million between 2003 and 2004, while in the West Bank fixed capital formation increased from US\$8.52 to US\$24.82 million during the same period.

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<sup>1</sup> Monetary values are calculated in current prices; therefore, it is difficult to specify real increases in the value of variables.

Net industrial investment (fixed capital formation minus depreciation) continued to be negative, as in previous years. In fact, net industrial investment hit a negative value of US\$33.4 million in 2004, progress from its 2003 level of negative US\$38.0 million. This indicates that the industrial sector began to regain part of its capital base.

### **3.5 Industrial Exports**

Industrial sector data indicate an improvement in the sector's economic indicators and a tangible increase in output levels and value added, which triggered an increase in exports in 2004. Actually, industrial exports increased from US\$102 million in 2003 to US\$159.2 million in 2004. Most industrial exports were generated by the metallic manufacturing sector. It contributed US\$33.4 million of industrial exports, followed by metal manufacturing (excluding machinery) which contributed US\$15.8 million. The contribution of mining exports increased to US\$10.4 in 2004 after being zero in 2003. However, textile exports decreased by US\$12.9 million, arriving at US\$5.2 million in 2004. This might be attributed to the reduced number of subcontracts with Palestinian firms due to Israeli closures and the separation wall.

From a geographical perspective, the contribution of the West Bank's industrial exports to total exports increased from 87.3% in 2003 to 89.2% in 2004. Gaza's industrial exports arrived at US\$17.1 million, an increase of 30% from the previous year.

### **3.6 Wages and Productivity**

Data indicate an increase in average wages in the industrial sector in the Palestinian territories (excluding Jerusalem) of 16.1% to reach US\$4,198.5 per worker. Total workers' compensation increased by 19.6%, which combined with a decrease in employment by 2% meant that individual workers' share of total compensation increased.

The increase in Gaza's average wages contributed to most of the rise. Average wages in the industrial sector in the Gaza Strip increased by 37.7% to reach US\$3,275.4. Average wages in the West Bank increased by 8.2% reaching US\$4,628.6. Regarding specific industries, there was an increase in the average wages in the leather tanning and manufacturing by 30.4%, mining and quarrying by 27.0%, and furniture manufacturing by 15.7%.

Industrial workers' productivity was US\$11,065 per worker in 2004, an increase of 39.6% over the previous year. This is a result of an increase in the value added (27%) on the one hand and a reduction in the numbers employed (2%) in the other hand. Industrial workers in the Gaza Strip enjoyed large increases in productivity, reaching US\$9,684, an increase of 55.4% over the previous year. The productivity of workers in the West Bank increased by 33.8% to reach US\$11,716. Most industries witnessed increases in workers' productivity; in the electronics industry productivity increased threefold, reaching US\$21,348, followed by the basic metals and non-metallic products industries by 130% and 78.8%, respectively.

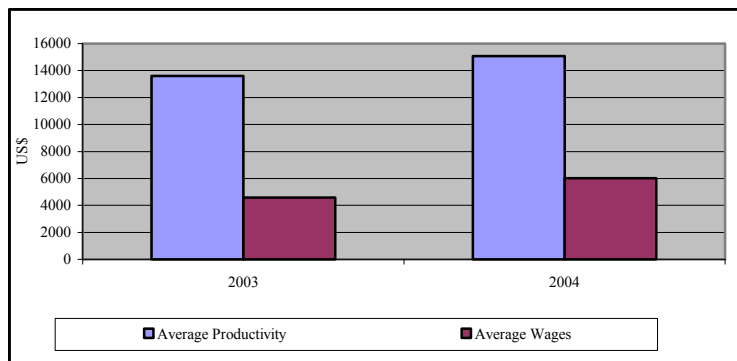
## **4. Construction**

Findings of contractors' survey indicated an improvement in construction activities in the Palestinian territories, especially in the Gaza Strip. The number of operating institutions increased by 75% to reach 587, distributed between the West Bank (269) and the Gaza Strip (318). Employment in the sector also increased by 53.3% to reach 5,662. This increase was almost evenly split between the Gaza Strip (53.8%) and West Bank (52.7%). Due to the higher increase in the number of establishments in comparison to the number of workers, the number of workers per establishment decreased from 11.0 in 2003 to 9.6 in 2004. Moreover, the value added of such establishments increased by 69.9% to reach US\$85.3 million: US\$46.5 million in the Gaza Strip

(an increase of 86.5%) and US\$38.8 million in the West Bank (an increase of 53.4%). Value of capital formation increased by 14.1% to reach US\$1.5 million, while annual depreciation increased by just 1%. As a result, net investment for the same year improved by 4%, reaching a negative value of US\$3.3 million. In the Gaza Strip, capital formation arrived at US\$531.2 thousand in 2004 in comparison to US\$13.2 thousand in 2003. In the West Bank, on the other hand, capital formation decreased by 25.5% in 2004 in comparison to the previous year. Furthermore, annual depreciation decreased in the West Bank by 5.9% while it increased by 17% in the Gaza Strip. Despite the increase in annual depreciation in the Gaza Strip, net investment increased by 19.3% and reached negative US\$1.14 million. Despite the drop in depreciation, net investment decreased by 6.7% and reached a negative US\$2.18 million.

Regarding productivity, data indicate an improvement of 10.8% in construction workers' productivity in 2004, to arrive at US\$15,076 per worker. Average worker productivity in the Gaza Strip increased 17.3% in comparison to a 0.5% increase in the West Bank. Parallel to the productivity increase, workers' average wages increased by 31.7%, reaching US\$6030.6 per worker (see Figure 3) and rendering the wage to productivity ratio at 40% in comparison to 33% in the previous year. In the Gaza Strip the increase in average wages reached 63.3% in comparison to 1.5% in the West Bank.

**Figure 3: Average Wages and Worker Productivity in the Construction Sector in the Remaining West Bank and Gaza Strip (2003 and 2004)**



## 5. Services (2004)

The services survey conducted by the Palestinian Central Bureau of Statistics (PCBS) covers the following economic activities: hotels, restaurants and coffee shops, real estate activities, education, health and social work, social service activities and 'other services'. Following is an overview of the main findings of the 2004 services survey.

### 5.1 Number of Establishments Involved in Service Activities

The total number of establishments in the services sector reached 17,763 in 2004, 64.5% in the Remaining West Bank and 35.5% in the Gaza Strip. The number of such establishments in the Palestinian territories increased by 49%, mostly because the large growth in the Gaza Strip (75.7%). Social service activities comprised the largest (31.9%) increase in number of establishments.



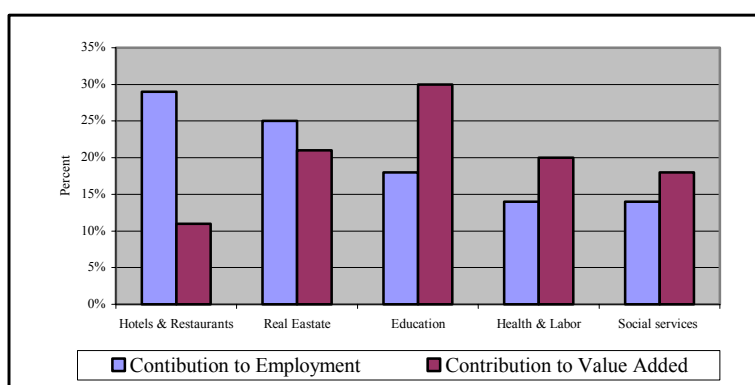
## 5.2 Employment

The total number of workers in the services sector in the Palestinian territories reached 58,627 in 2004. Of these, 57.1% are located in the West Bank and 42.9% in the Gaza Strip. The number of workers increased by 29.9% in the Remaining West Bank and by 63.5% in the Gaza Strip. Social services represented the largest, employing 29.2% of the total number of employees, followed by educational services (25.1%), health and social work (17.5%), real estate activities (14.4%) and hotels and restaurants (13.8%).

## 5.3 Value Added

Value added by services in the Palestinian territories increased in 2004 by 34.4% reaching US\$285.9 million, of which 67.5% came from the West Bank and 32.5% from the Gaza Strip. Education was ranked first in the Remaining West Bank, with a contribution of 30.5% to the total value added there. Social and other personal activities was ranked second with a contribution of 23.1%, followed by real estate activities (22.7%), health and social work (12.2%) and hotels and restaurants (11.5%). In the Gaza Strip, on the other hand, the first rank was for social and other personal activities (30.1%) followed by education (29.5%), real estate (17.3%), health and social work (14.5%), and hotels and restaurants (8.6%) (See Figure 4).

**Figure 4: Contribution of Services in the Remaining West Bank and Gaza Strip to Employment and Value added**



Source: PCBS, Series of Economic Surveys, (unpublished data), 2006.

## 5.4 Wages and Productivity

The average annual workers' productivity in the services sector reached US\$4,877 per worker in 2004. Workers in real estate activities were the most productive in the West Bank, with their annual productivity at US\$9,224 per worker, while social activities had the least productive workers with US\$2,945. In the Gaza Strip, however, educational service workers were the most productive, with average annual productivity reaching US\$4,902 per worker, while hotel and restaurant workers were the least productive with an average annual productivity of US\$2,541 per worker (see Table 1).

The average annual wages in the services sector in the Palestinian territories decreased by 12.7%, reaching US\$4,419 per worker in 2004. Educational services paid the highest wages among West Bank services activities, with an average annual wage of US\$7,124 per worker, while hotels and restaurants paid the least, with average annual wages of US\$3,977 per worker. In the Gaza Strip,

health and social work activities paid the highest average annual wages (US\$3,801 per worker) in 2004, while educational services paid the lowest (US\$2,294 per worker).

**Table 1: Average Productivity in 2003 and 2004 According to Region and Economic Activity (in US\$)**

Economic Activity	Average Productivity in the remaining West Bank		Growth Rate (%)	Average Productivity in the Gaza Strip		Growth Rate (%)
	2003	2004		2003	2004	
Hotels & Restaurants	4146.3	4516.3	8.9	7432.9	2540.7	-65.8
Real Estate	5818.9	9223.8	58.5	4700.5	4373.0	-7.0
Education	8352.1	6444.7	-22.8	4155.9	4902.1	18.0
Health & Social Work	6540.2	6652.7	1.7	2580.4	3758.9	45.7
Other social Activities	3814.4	2944.6	-22.8	2597.7	3053.9	17.6
Total	5945.8	5766.4	-3.0	3881.1	3692.8	-4.9

Source: PCBS, Series of Economic Surveys, (unpublished data), 2006.

## 6. Internal Trade

Internal trade activities are amongst the largest contributors to gross domestic product and employment in the Palestinian territories. The internal trade survey provides data on numbers of establishments, employment levels and workers' compensation, in addition to other economic indicators such as production, median consumption, value added and capital formation. The internal trade survey covers the following economic activities: the sale of fuel, repair and sale of vehicles, wholesale and retail. Following is an overview of the main internal trade findings for 2004.

### 6.1 Number of Establishments and Employment in Internal Trade Activities

The total number of establishments involved in internal trade activities reached 49,491 in the Palestinian territories in 2004. Of these, 32,630 were in the Remaining West Bank and 16,861 in the Gaza Strip. This represented a 26.3% rise in the Palestinian territories (22.7% in RWB and 33.8% in GS). Wholesale activities witnessed the greatest decline in the number of institutions (41%), arriving at 1,678. On the other hand, the number of institutions in the retail business increased by 33.6% arriving at 41,568, while the number of establishments involved in the sale and repair of vehicles and the sale of fuel increased by 19.3%.

Internal trade activities are characterized as being small and family owned, and the number of workers does not exceed two in most establishments, especially in the retail sector.

The total number of trade related workers in the Palestinian territories reached 100,852 in 2004; the West Bank employed 61,607 and the Gaza Strip 39,345. Data shows an increase in total employment in internal trade activities by 19.9% in the Remaining West Bank and 50.2% in the Gaza Strip. In 2004, retail was the biggest employer (78.1%) in the internal trade sector in the Remaining West Bank and in the Gaza Strip (78.7%), a higher proportion than 2003 (when it was 71.7% in the Remaining West Bank and 72.5% in the Gaza Strip). Business owners and unpaid family members represented 72.8% of all workers in the sector in general and 60.7% of workers in the retail sector in particular.

## 6.2 Value added

Value added contributed by various economic activities reached US\$531.5 million in 2004, an increase of 26.2% over its level in 2003. Internal trade activities comprised most of the value added. In fact, value added in the Remaining West Bank increased by 20.0% arriving at US\$336.9 million, while it increased in the Gaza Strip by 38.8% arriving at US\$194.5 million. Value added increased across all internal trade economic activities in the Gaza Strip, but the highest growth was in the retail sector (56.4%) and the lowest in the wholesale sector (3.1%). In the West Bank, on the other hand, the highest growth in value added pertained to the vehicle repairs and sales and fuel sector (42.7%). The contribution of the retail sector to the value added reached 55.0% in the Remaining West Bank and 65.6% in the Gaza Strip, while the wholesale sector was the smallest contributor to the sector's total value added (12.3% in the Remaining West Bank and 3.1% in the Gaza Strip) (see Figure 5).

**Figure 5: Percentage Distribution of Internal Trade Value Added Between the West Bank and Gaza Strip in 2004**



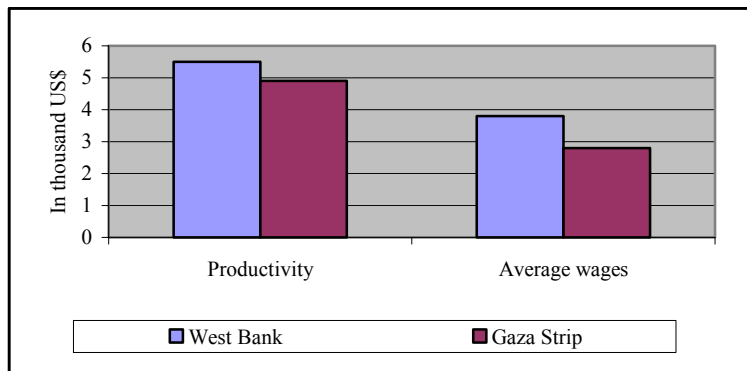
Source: PCBS, Internal Trade Survey.

## 6.3 Wages and Productivity

Changes in numbers of workers and value added in internal trade activities caused a reduction in productivity by 3%, to reach US\$5,270 per worker. Workers' productivity in the wholesale industry was the highest in the Remaining West Bank and Gaza Strip as it reached US\$19,958 per worker, an increase of 56.5% over its level in 2003. On the other hand, workers' productivity in the retail industry was the lowest at US\$3,965. Many establishments in this sector are small and family run; these contribute to 78.3% of employment in the sector and 58.9% of value added.

Average annual wages were higher in the Remaining West Bank than the Gaza Strip. The average annual wage per worker in the West Bank was US\$3,798, in comparison to US\$2,839 in the Gaza Strip. The highest average annual wages in the West Bank were in the wholesale industry (US\$5,130) while the lowest were in the retail industry (US\$3,491). In the Gaza Strip, the highest average annual wages were also in the wholesale industry (US\$3,457) and the lowest wages were also in the retail industry (US\$2,678) (see Figure 6).

**Figure 6: Average Wages and Productivity in Internal Trade Sector in the Remaining West Bank and Gaza Strip in 2004**



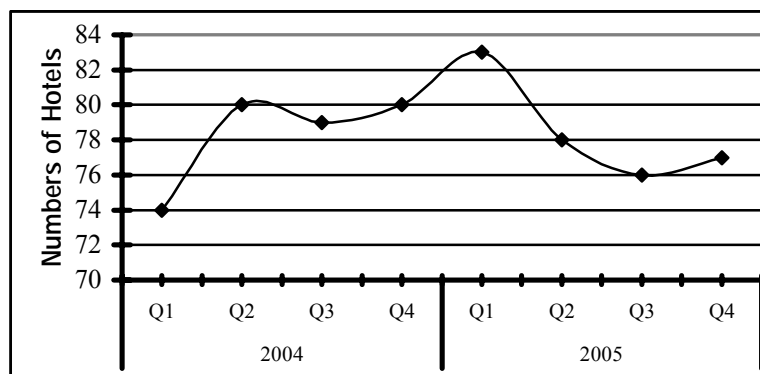
Source: PCBS, Internal Trade Survey.

## 7. Hotel Activity

The total number of hotels increased from 76 to 77 during the last quarter of 2005, 46 of which were in the West Bank, 18 in Jerusalem and 13 in the Gaza Strip. The number of available rooms in West Bank hotels increased by 12.5%, while available hotel rooms decreased by 0.1% in Jerusalem and the Gaza Strip. The number of hotel guests in the Palestinian territories reached 34,535 in the 4<sup>th</sup> quarter of 2005, a decrease of 2.3% in relation to the previous quarter. The majority of hotel guests (48.8%) lodged in Jerusalem hotels, while 22.9% stayed mid-West Bank hotels, 3.4% in northern West Bank hotels and 2.9% in the Gaza Strip.

The number of hotel guests in Jerusalem decreased by 3.9% during the 4<sup>th</sup> quarter of 2005 in comparison to the 3<sup>rd</sup> quarter. In the middle of West Bank, which includes the cities of Ramallah and Jericho, guest numbers decreased by 4.5% in comparison to the 3<sup>rd</sup> quarter of 2005. Hotel guests increased by 14.5% in the southern part of the West Bank but decreased by 1.1% in the northern West Bank and by 5.0% in the Gaza Strip (see Figure 7).

**Figure 7: Numbers of Hotels Operating in the Palestinian Territories**

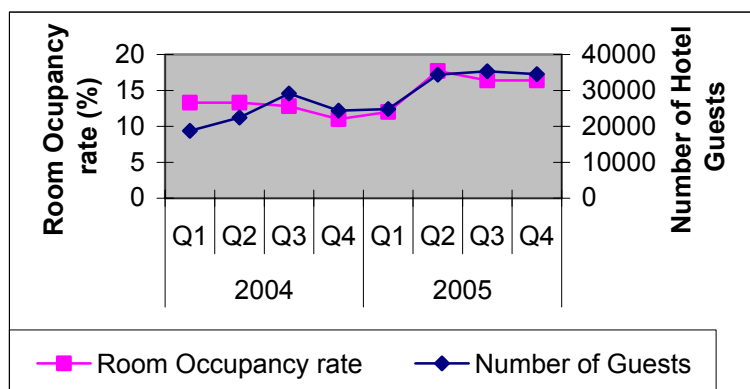


Source: PCBS, Hotel Activity in the Palestinian Territories, various years.

Room occupancy rates did not change, however, remaining at 16.4% in the Palestinian territories during the last quarter of 2005. The number of workers in the hotel industry increased by 72 to reach 1,318, including 168 female workers. West bank hotels employed 629 workers, Jerusalem

hotels employed 349 and Gaza hotels employed 340. This was an increase in the number of workers in West Bank hotels by 11.1%, by 0.9% in Gaza, and 1.7% in Jerusalem (see Figure 8).

**Figure 8: Number of Hotel Guests and Room Occupancy Rates in the Palestinian Territories**



Source: PCBS, Hotel Activity in the Palestinian Territories, various years.

## 8. Agriculture

The PCBS executed a structural agricultural survey in 2004/2005 using agricultural holdings as a statistical unit to collect information. Findings indicate that 89% of farmers are located in the West Bank and 11% in the Gaza Strip. Furthermore, the average age of farmers in the Palestinian territories is 47.2. 95.5% of farmers are males, 25.6% have a family comprising 10 members or more, and the average family size of Palestinian farmers is 7.9 individuals. Most holdings are family owned, and 96.8% of farmers in the Palestinian territories are heads of households.

Data indicate that plant-cultivated land is the most common, comprising 69.5% of the total number of agricultural holdings in the Palestinian territories, while mixed land plots and animal land plots comprised 23.2% and 7.3% of total respectively. (See Table 2)

**Table 2: Distribution of Agricultural Holdings in the Palestinian Territories According to Type and Region (%) (2004/2005)**

Region	Type of Cultivated Land plots		
	Plant	Animal	Mixed
Palestinian Territories	69.5	7.3	23.2
<b>West Bank</b>	68.0	7.5	24.5
West Bank -North	69.7	6.2	24.1
West Bank- Middle	71.8	12.7	15.5
West Bank -South	63.4	7.1	29.5
<b>Gaza Strip</b>	81.6	5.3	13.1

Source: PCBS, Structural Agricultural Survey 2004/ 2005: preliminary findings, 2005.

66.1% of agricultural holdings are concentrated in rural areas, 33.3% in urban areas and 0.6% in refugee camps. Upon comparing the cultivated area in the West Bank with the Gaza Strip, the survey reveals that farms in the West Bank are concentrated in rural areas (71.2%), urban areas (28.5%) and camps (0.3%). On the other hand, in the Gaza Strip, the land plots are concentrated in

urban areas (72.6%), followed by rural areas (24.1%) and camps (3.3%). Regarding land size, 58.4% of agricultural holdings fall in the area range of 1-10 dunums (56% of land plots in the West Bank and 77% of land plots in the Gaza Strip). The average cultivated land area per farmer is 19.8 dunums in the West Bank and 8.5 dunums in the Gaza Strip (see Table 3).

**Table 3: Distribution of Mixed and Arable Agricultural Holdings by Area and Region (%)**

Region	Land Area (Dunums)									Av. Size of Plot (Dunums)
	10-1	20-11	30-21	40-31	50-41	60-51	70-61	80-71	Over 80	
Pal. Territories	58.4	17.6	8.3	4.4	3.2	1.8	1.3	0.9	4.1	18.6
<b>West Bank</b>	56.0	18.1	8.8	4.8	3.5	2.0	1.4	1.0	4.4	19.8
N. West Bank	48.8	18.4	10.4	6.0	4.7	2.8	1.8	1.5	5.6	24.0
Mid West Bank	59.2	23.2	6.7	3.3	2.7	1.2	0.6	0.3	2.8	14.2
S. West Bank	66.2	15.3	7.0	3.6	1.9	1.1	1.0	0.3	3.6	15.9
<b>Gaza Strip</b>	77.5	13.4	4.8	1.2	1.1	0.6	0.3	0.7	0.4	8.5

Source: PCBS, Structural Agricultural Survey 2004/ 2005: preliminary findings, 2005.

Fruit trees represent the largest (58.9%) percentage of the total number of holdings, followed by field crops (30.3%). Data also indicated that while the West Bank concentrates on fruit cultivation, with 60.3% of total number of holdings planted with fruit trees, the Gaza Strip concentrates on vegetables, which cover 40.4% of the total number of farms (see Table 4).

**Table 4: Distribution of Plots Cultivated with Fruit Trees, Vegetables and Field Crops in the Palestinian Territories by Region (2004/2005)**

Region	Fruit Trees	Vegetables	Field Crops	Total
Pal. Territories	58.9	10.8	30.3	100
West Bank	60.3	9.2	30.5	100
Gaza Strip	31.9	40.4	27.7	100

Source: PCBS, Structural Agricultural Survey 2004/ 2005: preliminary findings, 2005.

Mixed-type livestock rearing is the most common type in the Palestinian territories, reaching 33.9% of total mixed animal and land farms. Farms designated for goat rearing represent 27.2% and 17.0% of total number in the West Bank and Gaza Strip respectively.

**Table 5: Distribution of Agricultural Holdings in the Palestinian Territories by Number of Permanent Workers\* and Region (%)**

Region	Number of Employees						Total	Average no. of permanent workers
	1	2	3	4	5	6 and above		
Pal. Territories	40.1	32.6	14.5	7.3	2.9	2.6	100	2.1
<b>West Bank</b>	41.2	33.4	14.2	6.5	2.7	2.0	100	2.1
N. West Bank	34.8	36.9	14.5	7.8	3.5	2.5	100	2.2
Mid West Bank	59.6	22.0	12.5	3.9	0.8	1.2	100	1.7
S. West Bank	43.6	32.8	14.3	5.4	2.5	1.4	100	2.0
<b>Gaza Strip</b>	30.6	25.3	17.4	14.6	4.6	7.5	100	2.6

Source: PCBS, Structural Agricultural Survey 2004/ 2005: preliminary findings, 2005.

\* includes landowners

Data indicated that 40.1% of agricultural holdings in the Palestinian territories employ one permanent worker, while plots which use 6 workers or more represented only 2.6%. On average, agricultural holdings employ 2.1 permanent workers. Furthermore, 48.3% of permanent agricultural employment in the Palestinian territories is non-paid family members, 32.2% are self employed, 13.9% are farmers and 5.6% are paid workers (see Table 5).

The Palestinian agricultural sector was the subject of numerous aggressive Israeli procedures since the 4th quarter of 2000. 26.1% of agricultural holdings in the Palestinian territories were subject to Israeli aggression. The damage in the Gaza Strip was more widespread than in the West Bank, as 50.3% of cultivated land plots in the Gaza Strip and 23.1% of cultivated land in the West Bank were the victim of some form of Israeli measures. Plant cultivated land was the most affected, as 68.4% of arable farms in the Palestinian territories suffered some damage, followed by mixed land plots (27.1%) and animal-designated land plots (4.5%).

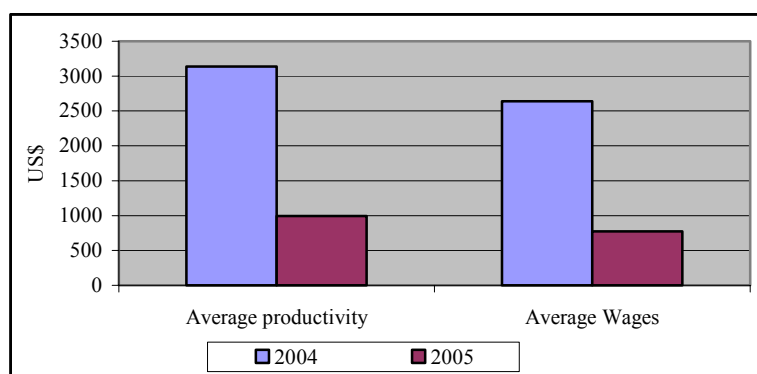
## 9. Olive Presses

Olive trees are amongst the most important crops in the Palestinian territories. The total area cultivated with olive trees in 2003/2004 reach 934 thousand dunums, representing 51.2% of the total cultivated land area and 81.1% of total tree-planted area. The total value of olive production for the same year reached US\$118 million, representing 21.9% of total agricultural output in the Palestinian territories and 55.4% of fruit production.

According to the olive press survey of 2005, the number of olive presses reached 287, of which 203 are operational and 84 are temporarily closed. Most presses are concentrated in the north of the West Bank, especially in Jenin and Tubas. 164 are automated presses and 39 are old or semi-automated presses.

The total quantity of processed olives reached 27,310 tons, producing about 6,790 tons of olive oil. The governorates of Jenin and Tubas contributed 22% of total olive oil output for the year. Comparing this year's output to years with higher production levels (1998, 2000 and 2002), the average pressed in the fruitful years reached 104,975 tons and the average olive oil production was 23,268 tons. On the other hand, the average pressed olive output was 27,273 tons and average olive oil output 6,681 tons during low production years (1999, 2001 and 2003).

**Figure 9: Average Wages and Productivity at Olive Presses in the Palestinian Territories for 2004 and 2005**



Source: PCBS, Survey of Olive Presses, 2005.

The total number of workers at olive presses in 2005 was 611, of which 59.7% were paid workers with a total annual compensation of US\$283 thousand. In other words, the average paid worker's

compensation was US\$775 during the year, with a total value added of US\$1,613 thousand. This makes the average worker productivity in olive presses at US\$2,640, with automated presses being the largest (89.3%) contributor to value added. Moreover, the value of intermediate consumption reached US\$889 thousand, 90.3% of which pertains to automatic presses. The total value of olive press outputs reached US\$2,502 thousand, of which 89.7% was from automated presses (see Figure 9).

The survey revealed that 45.3% of operating presses eliminate olive waste by means of cesspits and 47.3% of presses dispose of wastewater by the same means. Automated presses eliminate 44.5% of wastewater and 45.1% of olive waste by means of cesspits.

## **10. Labour Market and Wages**

In this issue of the monitor we will highlight the main developments in labour market indicators during the 4<sup>th</sup> quarter of 2005, but the largest section will be devoted to annual labour market and wage indicators for the year 2005.

### **10.1 Labour Market Indicators: 4th Quarter Findings**

The labour force survey for the fourth quarter of 2005 witnessed a deterioration in most indicators related to the labour market. Labour force participation dropped from 41.7% in the 3<sup>rd</sup> quarter to 40.3% in the 4<sup>th</sup> quarter, with the number of participants in the labour force falling by 20 thousand to reach 830 thousand workers. Total employment reached 632 thousand, a decrease of 25 thousand from the previous quarter. The majority of those employed (70.3%) were from the West Bank, with 29.7% from the Gaza Strip. This fall in numbers is attributed to the Palestinian economy's inability to generate employment. In fact, the Palestinian economy was only able to absorb 572 thousand workers in the 4<sup>th</sup> quarter in comparison to 591 thousand workers in the 3<sup>rd</sup> quarter. 60 thousand workers were employed in Israel, a decrease of 6 thousand workers from the previous quarter. The unemployment rate increased from 22.7% to 23.8% between the quarters. The increase in unemployment was only felt in the West Bank, while in the Gaza Strip it decreased.

The distribution of workers across economic activities did not exhibit any major changes except for a decrease in the number of workers in two sectors. The construction sector's contribution to employment decreased from 13.0% in the 3<sup>rd</sup> quarter to 12.3% in the 4<sup>th</sup> quarter of 2005, while the contribution of the hotel and restaurant sector dropped from 21.1% in the 3<sup>rd</sup> quarter to 19.5% in the 4<sup>th</sup> quarter.

Data also revealed an increase in median daily wages in the West Bank from NIS 65.4 in the 3<sup>rd</sup> quarter of 2005 to NIS 69.2 in the 4<sup>th</sup> quarter of the year. Likewise, the median daily wage increased in the Gaza Strip from NIS 53.8 in the 3<sup>rd</sup> quarter to NIS 61.5 in the 4<sup>th</sup> quarter. Median daily wages for workers in Israel stayed at NIS 134.6 between the two quarters. Female labour force participation rates decreased from 14.2% to 13.1%, but female unemployment fell from 24.7% to 24.3% between the two quarters.

### **10.2 Labour Force in 2005**

The PCBS labour force survey indicates a slight increase in labour force participation in 2005 in the Palestinian territories in comparison to 2004, increasing from an average of 40.4% in 2004 to 40.7% in 2005, an increase of about 37 thousand workers. Labour force participation in the West Bank increased from 42.5% to 42.9% (an increase of 19 thousand workers) during the same period, while the same indicator for the Gaza Strip increased from 36.4% to 36.7%. Data showed that the highest labour force participation rates were in the North West Bank, in particular in the



Jenin governorate (47.5%), followed by Tubas (46.6%), while Jerusalem and the mid-West Bank registered the lowest labour force participation rates (37.2%), followed by Bethlehem governorate (39.3%) in the south. PCBS data also indicate that 59.3% of manpower (aged 15 and older) was outside the labour force in 2004. The data revealed that 49.3% remained outside the labour force due to housekeeping duties, 33.5% due to training and studying, 11.9% because of old age, and 5.3% due to illness.

### **Number Employed in the Palestinian Territories**

The number of people employed in the Palestinian territories in 2005 is estimated at 633 thousand workers, 453 thousand from the West Bank and 180 thousand from the Gaza Strip. The number of employed women is estimated at 106 thousand, 85 thousand in the West Bank and 21 thousand in the Gaza Strip. 38 thousand Palestinian ID holders as well as 27 thousand holders of Israeli documents or foreign passports worked in Israel or in West Bank settlements. Of these, only 1,000 were from Gaza.

Data indicated that 61.7% of workers work in the West Bank and 28.4% in the Gaza Strip whereas 9.9% work in Israel and Israeli settlements in 2005. The number of workers in Israel increased from 8.7% in 2004 to 9.9% in 2005. In fact, the number of West Bank workers in Israel and Israeli settlements increased from 11.6% to 13.8% during the same period, while Gazan workers in Israel decreased from 1.1% to 0.4%. The Palestinian economy managed to absorb 567 thousand workers, about 90% of total Palestinian employment. Some 25.4% were employed in the public sector and 74.6% in the private sector.

The percentage of paid workers increased from 58.1% in 2004 to 59.5% in 2005. The proportion of paid workers in the West Bank increased from 55.1% to 56.4% in 2005 and increased in the Gaza Strip from 66.5% to 67.1% during the same period. Data also indicated an increase of public sector workers in the Palestinian territories, up from 22.5% in 2004 to 23.0% in 2005. Public sector employment in the Gaza Strip increased from 37.1% to 38.1% during the same period, while public sector employment in the West Bank remained constant at 16.9%. Overall, the total number in public sector employment is estimated at 145 thousand workers, 76 thousand located in the West Bank and 69 thousand in the Gaza Strip. The private sector's share of employment decreased from 68.0% in 2004 to 67.1% in 2005. In the West Bank, it fell from 71.5% to 69.3% while in the Gaza Strip it fell from 61.8% to 61.5% during the same period.

### **10.3 Distribution of Palestinian Workers According to Economic Activities**

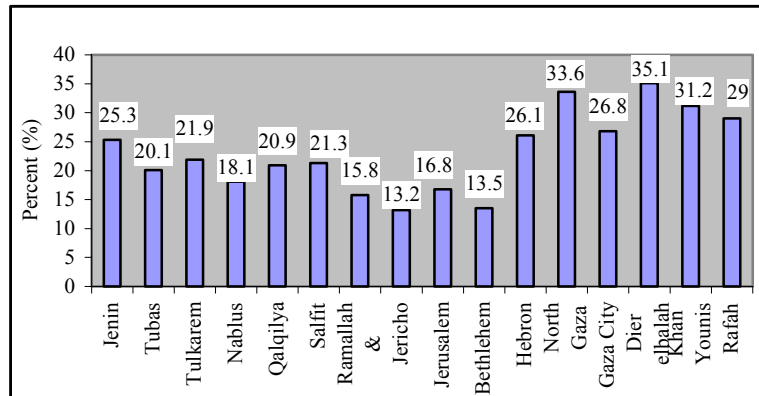
The services sector was the largest employer in 2005, accounting for 34.4% of all workers. The services sector in the West Bank employed 31.5% of workers (excluding workers in Israel and settlements). Trade, restaurants and hotels was the second largest employer, hiring 19.4% of total employment (20.8% in the West Bank and 16.3% in the Gaza Strip). Third was agriculture and fishing, which employed 14.6% of total workers (17.1% in the West Bank and 11.7% in the Gaza Strip).

### **10.4 Unemployment**

The unemployment rate (according to the ILO definition) decreased from 26.8% in 2004 to 23.5% in 2005. Male unemployment decreased from 28.1% to 23.7% while female unemployment increased 20.1% to 22.3% during the same period. Unemployment in the West Bank decreased from 22.9% to 20.3% while in the Gaza Strip it decreased from 35.4% to 30.3%. The number of unemployed workers in the Palestinian territories reached 194 thousand (115 thousand in the West Bank and 79 thousand in the Gaza Strip), which represents a decrease of 18 thousand workers from 2004. If discouraged workers are added to the total, however, the number of unemployed would reach 258 thousand.

The highest West Bank unemployment rate was in the Hebron governorate (26.1%) while the lowest rate was in the Jericho governorate (13.2%). In the Gaza Strip, the highest unemployment rates were in Deir el-Balah (35.1%) whilst the lowest rate was in the Gaza City governorate (see Figure 10).

**Figure 10: Unemployment Rates in the Palestinian Territories by Governorates**

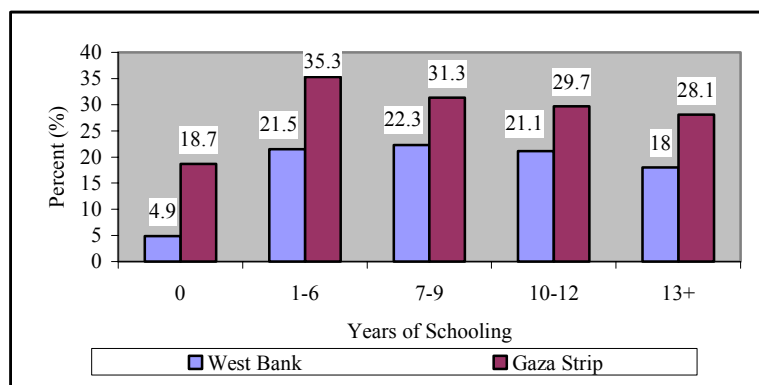


Source: PCBS, Labour Force Survey, Annual Report, 2005.

The burden of unemployment varies by age group and region. Data indicate that unemployment was highest amongst young people, with the rate for the 15-24 years age group reaching 36.4% in 2005. The same age group had an unemployment rate of 45.5% in the Gaza Strip and 32.0% in the West Bank. The 25-34 years age group also suffered high levels of unemployment, reaching 26.1% in the Gaza Strip and 20.1% in the West Bank. The age group with the lowest unemployment is the 50 years and older group, with an unemployment rate of 12.1% (9.6% in the West Bank and 18.8% in the Gaza Strip).

Unemployment rates among workers with 1-6 years of schooling were the highest in comparison to other educational levels in 2005. Data indicate that as years of schooling increase, unemployment rates decrease. In fact, apart from illiterates, the lowest rates of unemployment were amongst people with 13 years of schooling (21.8%), 18% in the West Bank and 28.1% in the Gaza Strip (see Figure 11).

**Figure 11: Unemployment in the Palestinian Territories by level of Education and Region: 2005**

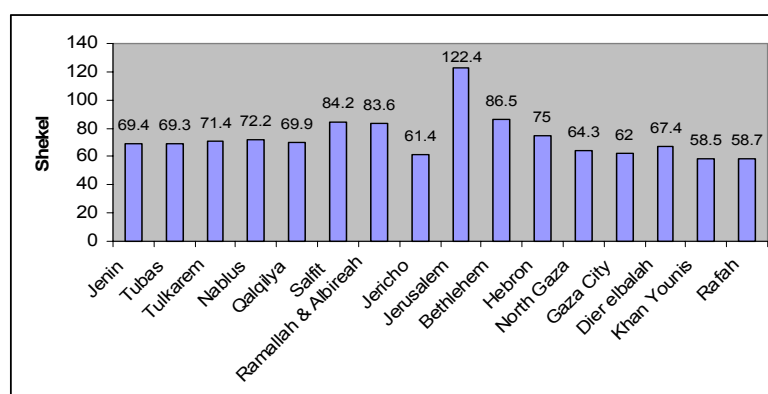


Source: PCBS, Labour Force Survey, Annual Report, 2005.

## 10.5 Wages

Average wages in 2005 were higher than in 2004. The daily pay for workers in the Gaza Strip rose from NIS 53.3 to NIS 61.9 between 2004 and 2005. Likewise, the average daily wage for workers in the West Bank rose from NIS 69.5 to NIS 73.7 during the same period. The Jerusalem district registered the highest daily wages in the West Bank, with the average reaching NIS 122.4, while Jericho had the lowest in the West Bank with NIS 61.4. Deir el Balah registered the highest average daily wage (NIS 67.2) in the Gaza Strip, while Khan Younis had the lowest (NIS 58.5) (See Figure 12).

**Figure 12: Average Daily Wage (NIS) for Paid Workers in the Palestinian Territories by Governorate: 2005**



Source: PCBS, Labour Force Survey, Annual Report, 2005

## 10.6 Women in the Labour force

There was a slight decrease in female labour force participation rates from 13.5% in the 3<sup>rd</sup> quarter of 2005 to 13.4% in the 4<sup>th</sup> quarter of the year. In the West Bank, female labour force participation rates decreased from 15.9% to 15.8%, while in the Gaza Strip it decreased from 9.1% to 9.0% during the same period.

## 10.7 Announcements of Job Vacancies

The first quarter of 2006 exhibited a 30% decline in numbers of job announcements in the three main newspapers in comparison to the last quarter of 2005. This might be attributed to the Palestinian legislative elections, as many were anxiously awaiting the outcome. Total job announcements numbered 871, of which 64 did not specify the number of vacancies (see Table 6).

**Table 6: Job Vacancies Announced in the Three Main Palestinian Newspapers Distributed by Sector: 1<sup>st</sup> Quarter 2006**

	Public Sector	Private sector	NGOs	Total
January	3	133	98	234
February	27	120	99	246
March	39	236	116	391
Total	69	489	313	871

Source: collected by MAS from three newspapers (Alquds, Alayyam and Alhayat Aljadidah)

Table 7 shows job vacancies categorized by level of education, with the lions' share (58%) desiring bachelor's degree holders, in comparison to 15% requiring graduate level degrees. This might be attributed to the relatively higher market demand for executive-type jobs in comparison to strategic and consultancy jobs. College diplomas (2-year college degrees) represented 23.2% of the total, while announcements not specifying educational requirement represented 3.4% of the total.

**Table 7: Job Vacancies According to Educational Requirement**

	Masters' degree or higher	Bachelor's	2-year college degree	Lower levels of education	Total
January	17	162	51	4	234
February	19	168	52	7	246
March	97	176	99	19	391
Total	133	506	202	30	871

Source: collected by MAS from three newspapers (Alquds, Alayyam and Alhayat Aljadidah)

Geographical categorization of job announcements reveals that West Bank companies and institutions posted 744 job announcements, with the middle region of the West Bank posting the largest share of vacancies (see Table 8), while the northern and southern regions had the fewest number. This calls for more attention to be given to these regions to generate job opportunities and to limit internal migration. In the Gaza Strip, on the other hand, the total numbers of job vacancies reached 127.

**Table 8: Job Vacancies in the West Bank by Regions: 1<sup>st</sup> Quarter 2006**

	West Bank			Total (West Bank)	Total (Gaza Strip)
	North	Middle	South		
January	19	177	10	206	28
February	19	165	17	201	45
March	111	201	25	337	54
Total	149	543	52	744	127
Percent	20%	73.0%	7.0%	85.40%	14.60%

Source: collected by MAS from three newspapers (Alquds, Alayyam and Alhayat Aljadidah)

Table 9 categorizes vacancy announcements according to level of education required and economic sector (Public, Private and NGO). The private sector maintained leadership in announcing vacancies across all educational levels.

**Table 9: Job Vacancies by level of Education and Economic Sectors: 1<sup>st</sup> Quarter 2006**

	Public Sector	Private sector	NGOs	Total
Master's degree or higher	3	99	31	133
Bachelor's	43	245	218	506
2- year college diploma	20	119	63	202
Lower levels of education	3	26	1	30
Total	69	489	313	871

Source: collected by MAS from three newspapers (Alquds, Alayyam and Alhayat Aljadidah)

The following table demonstrates that the private sectors' share is the highest in the West Bank, representing 60.3% of total announcements. Encouraged by the Israeli disengagement of the Gaza Strip, NGOs held the largest share in the Gaza Strip, representing 55.9% of total announcements.

**Table 10: Job Vacancies According to Economic Activity and Region: 1st Q 2006**

	<b>Public Sector</b>	<b>Private Sector</b>	<b>NGOs</b>	<b>Total</b>
Pal. Territories	69	489	313	871
<b>West Bank</b>	53	449	242	744
N. West Bank	10	112	27	149
Mid West Bank	36	314	193	543
S. West Bank	7	23	22	52
<b>Gaza Strip</b>	16	40	71	127

Source: collected by MAS from three newspapers (Alquds, Alayyam and Alhayat Aljadidah)

Most vacancies were for business administration and accounting majors (46%) followed by medicine, engineering and technology (38%) and social sciences (16%).

## 11. Investment Indicators

### 11.1 Building Licenses

Quarterly building licenses could be measured in two ways: tracking changes between two consecutive quarters, for example comparing the 3<sup>rd</sup> quarter to the 4<sup>th</sup> quarter of 2005, or tracking changes between the same quarters over different years, for example comparing the 4<sup>th</sup> quarter of 2005 to the same quarter in 2004. The first method fails to take into consideration weather factors and their effect on the construction sector. Anyone who follows the construction sector notices an increase of construction activities during the summer season (during the 2<sup>nd</sup> and 3<sup>rd</sup> quarters), while in the winter season (1<sup>st</sup> and 4<sup>th</sup> quarters) construction activities shrink. Therefore, we will adopt the second method which involves comparing the 4<sup>th</sup> quarters of 2005 to the same quarter of 2004 to control for seasonality.

The construction sector witnessed a relative improvement in the 4<sup>th</sup> quarter of 2005 in comparison to the same quarter of 2004. Building license statistics indicate an increase in the number of building licenses in the last quarter of 2005 by 68.5% in comparison to the same quarter of 2004, reaching 2,200 permits. Licensed areas for new buildings represented 50.1% of the total licenses issued in the 4<sup>th</sup> quarter of 2005, with 15.1% annexes to already licensed buildings and the remainder distributed across other forms of licenses. The total area of buildings licensed during the 4<sup>th</sup> quarter of 2005 reached 829,000 m<sup>2</sup>. This is 45.9% more than in the 4<sup>th</sup> quarter of 2000.

The area of licensed buildings is distributed among new spaces (625,300m<sup>2</sup>) and existing buildings (203,700m<sup>2</sup>). Building licenses for new spaces was 29.1% higher in the 4<sup>th</sup> quarter of 2005 in comparison to the same quarter of 2004. Housing and non-housing building licenses represented 90.3% and 9.7% of total existing licensed areas respectively (see Table 11).

**Table 11: Building Licenses and Licensed Spaces in the Remaining West Bank for 4<sup>th</sup> Quarter of 2000, 2004 and 2005**

Indicator	Licensed Spaces (1000m <sup>2</sup> )		
	4 <sup>th</sup> quarter 2000	4 <sup>th</sup> quarter 2004	4 <sup>th</sup> quarter 2005
Total Area of Licensed Buildings	568.2	552.2	829.0
New Spaces	497.6	484.4	625.3
Housing	367.9	362.8	523.0
Non-Housing	129.7	121.6	102.3
Existing Spaces	70.6	67.8	203.7
Residential buildings	62.3	58.5	184.0
Non-residential buildings	8.3	9.3	19.7

Source: PCBS, Building Licenses, 4th Quarter 2005

## 11.2 Cement Imports

Factors affecting building licenses and cement imports are similar. Therefore, the 4<sup>th</sup> quarter of 2005 will be compared to the 4<sup>th</sup> quarter of 2004. The increase in the number of licenses and building areas licensed in the 4<sup>th</sup> quarter of 2005 was reflected in the increase in cement imports in the same quarter, up by 20.2% in comparison to 2004 with a total of 406.9 thousand tons. Total cement imports into the West Bank was 259.1 thousand tons, an increase of 25.1% over the same quarter in 2004, while the Gaza Strip imported a total of 147.8 thousand tons, an increase of 12.4% over the same quarter of 2004.

**Table 12: Cement Imports to Palestinian Territories in the 4<sup>th</sup> Quarters of 2003-2005**

Period	Palestinian Territories	West Bank	Gaza Strip
Q4 2003	289.9	173.8	116.2
Q4 2004	338.6	207.2	131.5
Q4 2005	406.9	259.1	147.8

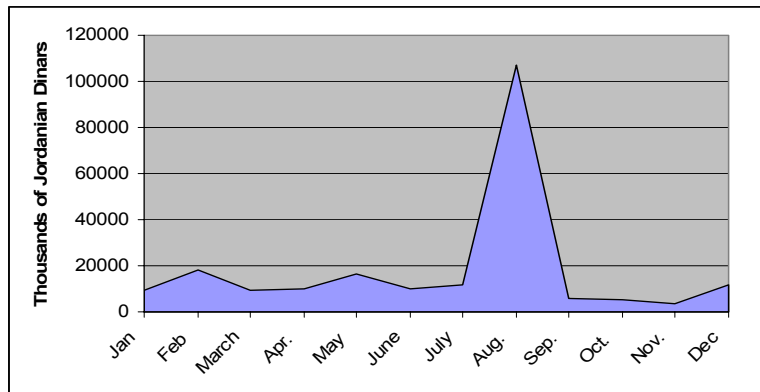
Source: PCBS, Cement Imports, 2005.

## 11.3 Company Registration<sup>2</sup>

Data on company registration published by the Ministry of National Economy reflects changes in the Palestinian investment climate. As the investment climate improves either politically or economically, the demand for company registration increases. Data indicate that the investment environment deteriorated in the last quarter of 2005, as the total number of newly registered companies declined by 18.6% in comparison to the previous quarter. Furthermore, invested capital (by new companies) also declined by 83.6% (JD 22.4 million). However, this decline in the size of invested capital does not necessarily reflect a decline in total invested capital because the previous quarter witnessed an exceptional increase in invested capital to the amount of US\$124.5 million, with US\$70 million invested by a single Palestinian company (see Figure 13).

<sup>2</sup> Data on company registration in the Gaza Strip could not be accessed for this issue of the Monitor.

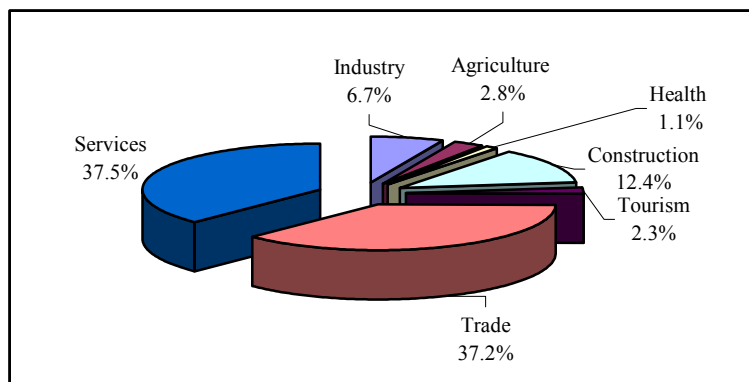
**Figure 13: Capital Value of Newly Registered Companies in the West Bank for 2005**



Source: Ministry of National Economy, Department of Company Registration, 2005.

The share of services activities in total invested capital declined to 37.5% in the 4<sup>th</sup> quarter of 2005 in comparison to 89.4% in the previous quarter. The share of trade activities increased to 37.2%, while the share of industry, health and agriculture remained relatively small similar to the previous quarter. Low industrial investment may be attributed to Israeli actions which destroyed the infrastructure, controlled borders and obstructed imports of raw materials. The agricultural sector was immensely affected by the separation wall, which devoured a lot of agricultural land, trapped water resources and denied farmers access to their fields (see Figure 14).

**Figure 14: Distribution of Newly Registered Companies' Capital in the West Bank by Economic Activity, 4th Quarter of 2005**



Source: Ministry of National Economy, Department of Company Registration, 2005.

## 12. Public Finance

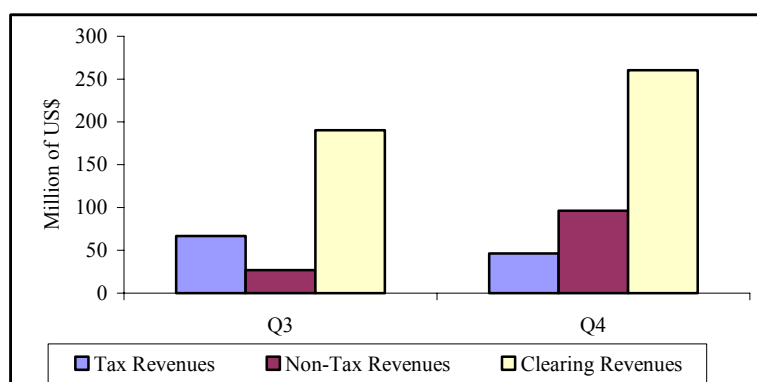
### 12.1 Public Revenues

Data released by the Palestinian Ministry of Finance for the 4th quarter of 2005 revealed that the collection of public revenues improved in comparison to 3<sup>rd</sup> quarter of the same year and in comparison to the same quarter of 2004. Public revenues increased by 47.1%<sup>3</sup> in comparison to the

<sup>3</sup> Ministry of Finance website, 4th quarter 2005, preliminary data.

3<sup>rd</sup> quarter of 2005 and by 90.7% in comparison to the 4<sup>th</sup> quarter of 2004. This increase mirrored similar increases in all items of public revenues. Local revenues increased from US\$93.7 million to US\$142.5 (a 52% increase), non-tax revenues increased from US\$26.9 million in the 3<sup>rd</sup> quarter of 2005 to US\$96.3 million in the 4<sup>th</sup> quarter of the year, representing 23.9% of total public revenues during the quarter, and clearance revenues increased by 33.2% (US\$64.8 million). (See Figure 15).

**Figure 15: Main Developments in Public Finance Revenues, 3rd and 4th quarters 2005 (\$ million)**



Source: Ministry of Finance

On an annual basis, public revenues and international aid increased in 2005 by US\$427 million (27.3%) over the figure for 2004. This is mainly due to increases in local revenues, which increased by US\$29 million, an increase in clearance revenues by US\$82 million, and an increase in international aid by US\$316 million (see Table 13).

**Table 13: Main Development in Public Finance Between 2004 and 2005 (\$ million)**

Year	Clearance Revenues	Tax Revenues	Non-tax revenues	Grants and Assistance	Total
2004	580	171.07	195.93	615	1,562
2005	662	230	166	931	1,989

Source: Ministry of Finance

## 12.2 Public Expenditure

Public expenditure increased in the 4<sup>th</sup> quarter of 2005 by US\$53.4 million, an increase of 11.4% in comparison to the 3<sup>rd</sup> quarter of the year. The increase in public expenditure was a result of the implementation of the new civil service law, which increased public employees' wages and salaries during the second half of the year. In fact, wages and salaries increased to reach US\$276.8 million in the 4<sup>th</sup> quarter of 2005, an increase of 6.6% over the 3<sup>rd</sup> quarter of the year. The breakdown of the salary increase shows that the salary increase of civil servants was 7.6%, while military employees' salaries increased by 5.1% over the 3<sup>rd</sup> quarter of the year.

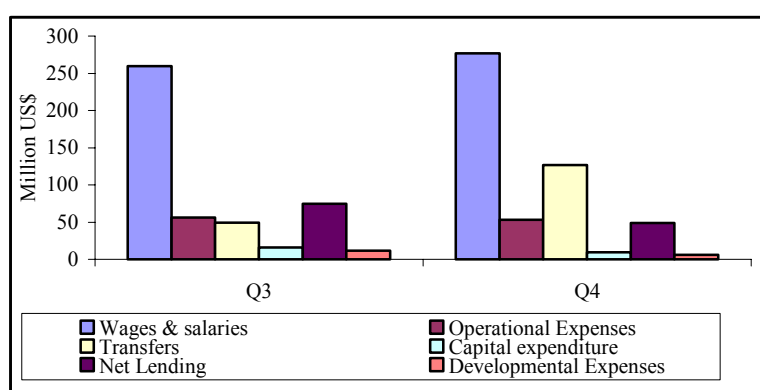
Public operating expenses decreased from US\$56 million in the 3<sup>rd</sup> quarter to US\$53.1 million in the 4<sup>th</sup> quarter, a decrease of 5.7%. Capital expenditure also decreased from US\$15.7 million to US\$9.3 million (a 40.7% decrease) during the same period because of the difficult economic and political conditions in the territories. Net lending<sup>4</sup> is considered one of the main factors that placed

<sup>4</sup> Amounts paid by the treasury on behalf of local governing bodies either directly to the electricity company in Gaza or indirectly by means of discounting from PA clearance revenues.



the government under immense spending pressures. Despite the fact that spending on this item decreased during the 4<sup>th</sup> quarter of 2005 by US\$25.8 million, a 5.7% decrease over the 3<sup>rd</sup> quarter of the year, it still represents an escalating pressure on the use of financial resources (see Figure 16).

**Figure 16: Main Developments in Public Expenditure, 3rd and 4th Quarters, 2005**



Source: Ministry of Finance

On an annual basis, public expenditure witnessed an increase by US\$465 million (26.4%) over 2004. This is mainly attributed to the increase in current expenditure by US\$459 million, as well as increases in developmental expenditure by US\$7 million (see Table 14).

**Table 14: Main Developments in Public Expenditure 2004 and 2005 (\$ million)**

Year	Wages	Operating Expenses	Transfers	Capital Expenditure	Net Lending	Developmental Expenditure	Total
2004	874.21	195.68	270.32	18	145	261	1764
2005	938	244	625	25	130	268	2230

Source: Ministry of Finance

### 12.3 Budget Deficit

Due to hikes in both public revenues and expenditure, the budget deficit amounted to US\$118.26 million in the 4<sup>th</sup> quarter of 2005 compared to US\$193.8 million in the 3<sup>rd</sup> quarter of the year. This represents a deficit decrease of 38.47% in the 4<sup>th</sup> quarter of 2005.

### 12.4 Financing

The Palestinian Authority managed to obtain external financing in the form of grants and financial assistance to the amount of US\$47.2 million in the 4<sup>th</sup> quarter of 2005, compared to US\$53.6 million in the 3<sup>rd</sup> quarter of the year, a decrease of 11.9%. Financing was provided by the emergency program funded by the World Bank to the value of \$0.86 million, the Popular Committee for the Aid of the Palestinian People (US\$4.6 million), and the countries of Algeria (US\$26.3 million) and Saudi Arabia (US\$15.5 million). On the other hand, local financing decreased from US\$213.1 million in the 3<sup>rd</sup> quarter of 2005 to US\$146.2 million in the 4<sup>th</sup> quarter of the year. This was mainly due to the drop in commercial bank financing, which was reduced from US\$42.7 million in the 3<sup>rd</sup> quarter of 2005 to US\$9.2 million in the last quarter, a decrease of 78.4%. In addition, the contribution of the Palestinian Investment Fund decreased from US\$159 million in the 3<sup>rd</sup> quarter of 2005 to US\$63.9 million in last quarter of the year, a decrease of

59.8%. This means that if external commitments and internal financing are actually disbursed to the PNA (as budgeted), the national budget would have a surplus of US\$75.14 million.

On an annual basis, external financing increased in 2005 by US\$316 million for a total amount of US\$931 million. This represents an increase of 51.4% over 2004 (see Table 15).

**Table 15: Main Developments in Public Finance: 3<sup>rd</sup> and 4<sup>th</sup> Quarters of 2005**

	2005 (\$)		Percent Change	
	3Q	4Q	3Q	4Q
<b>Net Public Revenues</b>	273.82	402.74	47.08	90.74
Local Revenues	93.74	142.49	52.01	44.38
Tax Revenues	66.82	46.22	-30.83	1.03
Non-Tax Revenues	26.92	96.27	257.62	81.85
Clearance Revenues	195.47	260.27	33.15	131.43
Tax Revenues	-15.39	-62.40	305.46	1919.42
<b>Public Expenditure</b>	467.60	521.00	11.42	20.88
Current Expenditure	455.89	514.97	12.96	21.14
Wages & Wages	259.77	276.82	6.56	24.39
Civil Servants	152.60	164.16	7.58	18.97
Military Employees	107.17	112.66	5.12	33.23
Operational Expenditure	56.25	53.06	-5.67	15.17
Transfer Payments	49.34	126.72	156.83	31.44
Capital expenditure	15.73	9.33	-40.69	29.76
Net Lending	74.80	49.04	-34.44	-7.30
Developmental Expenditure	11.71	6.03	-48.51	2.03
<b>Surplus/ Deficit</b>	-193.78	-118.26	-38.97	-46.96
<b>Financing</b>	266.71	193.41	-27.50	-3.76
External Financing	53.61	47.23	-11.90	-31.22
Internal Financing	213.10	146.18	-31.41	10.50
Transferred Overdue Clearance Revenues	11.39	73.03	541.18	-18.85
Commercial Bank Financing	42.71	9.22	-78.41	-83.76
Net Change of Arrears	0.00	0.00		-100.00
Social Care Fund via Investment Fund	59.00	0.00	-100.00	
Investment Fund	100.00	63.92	-36.08	
<b>Surplus after Transfer (Financing Gap)</b>	72.93	75.14	3.03	-441.39

Source: Ministry of Finance Website

## 13 Banking

### 13.1 Number of Banks and Branches

Although no change was reported in the number of banks operating in the Palestinian territories during the 4<sup>th</sup> quarter of 2005, the Palestinian Monetary Authority (PMA) granted permission to the Palestinian Islamic Bank to branch out in Jabalya and Bethlehem. This increases the number of bank branches in the Palestinian territories from 138 in the 3<sup>rd</sup> quarter of 2005 to 141 in the 4<sup>th</sup> quarter of the year. Over the year, however, the total number of banks operating in the Palestinian

territories decreased from 22 in 2004 to 21 as consequence of the acquisition of the Cairo-Amman Bank's Islamic branch by the Palestinian Islamic Bank. During the same period, the number of branches increased from 135 to 141 by the end 2005 (see Table 16).

**Table16: Number of Banks and Branches in Palestine**

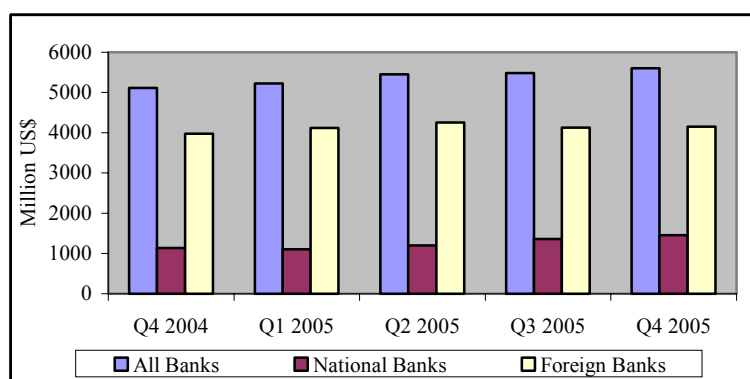
Period	Governorate	Management			Number of Branches		
		General	Regional	Total	Local banks	Foreign Banks	Total
Q4 2004	West Bank	8	11	19	41	56	97
	Gaza Strip	2	1	3	21	17	38
	Total	10	12	22	62	73	135
Q4 2005	West Bank	8	10	18	47	55	100
	Gaza Strip	2	1	3	24	15	41
	Total	10	11	21	71	70	141

Source: Palestinian Monetary Authority, unpublished data.

### 13.2 Bank Assets

The total assets of banks in the Palestinian Territories increased during the 4<sup>th</sup> quarter of 2005 by US\$118.1 million, an increase of 2.2% over their levels in the 3<sup>rd</sup> quarter of the year, which put total bank assets at US\$5,601.4 million. This increase was a result of two factors: an increase in national bank assets by US\$95.7 million (7.1%) to arrive at US\$1,450.7 million, and an increase in the total assets of foreign banks by US\$22.4 million to arrive at US\$4,150.7 million. On an annual basis, the total assets of banks operating in the Palestinian Territories increased by US\$487.8 million (9.5%) over their level in 2004 (see Figure 17).

**Figure 17: Assets of Banks Operating in the Palestinian Territories, 4th Quarter 2004 and 2005**

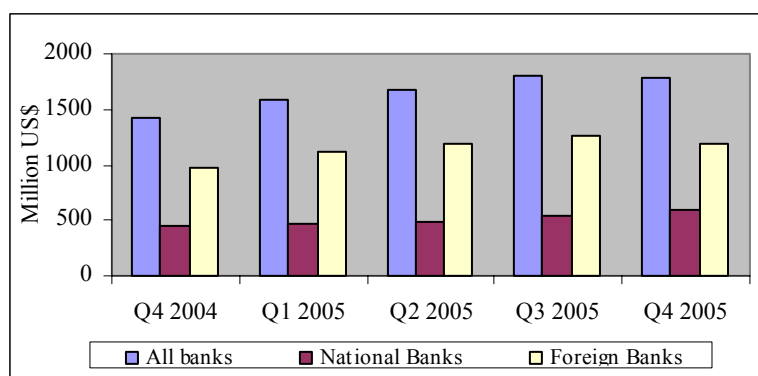


Source: Palestinian Monetary Authority, unpublished data

### 13.3 Credit Facilities

Credit facilities decreased in the 4<sup>th</sup> quarter of 2005 by US\$6.6 million (0.4%) in comparison to the 3<sup>rd</sup> quarter of the year, to arrive at US\$1,791.8 million. National banks comprised 33.5% of total credit facilities, an increase of 11.8% over their levels in the 3<sup>rd</sup> quarter. Foreign banks, on the hand, comprised 66.5% of total credit facilities, a decrease of 5.6% over their levels in the 3<sup>rd</sup> quarter. On an annual basis, credit facilities increased by US\$364.2 million (25.5%) in 2005 compared to 2004 (see Figure 18).

**Figure 18: Credit Facilities at Banks Operating in the Palestinian Territories**



Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues.

Total credit extended to the public sector reached US\$592.2 million, representing 33.1% of total credit facilities during the 4<sup>th</sup> quarter of 2005. This was an increase of 12.2% over credit facilities extended to the public sector in the 3<sup>rd</sup> quarter of the year. Total credit facilities extended to the private sector reached US\$1,199.6 million, representing 66.9% of total credit facilities in the 4<sup>th</sup> quarter of 2005. Most credit facilities were denominated in US dollars during the 4<sup>th</sup> quarter of 2005. In fact, dollar-denominated credit facilities represented 70.1% of total credit compared to 72.2% in the 3<sup>rd</sup> quarter of the year. New Israeli Shekel-denominated facilities was ranked second, comprising 16.8% of total credit facilities in the 4<sup>th</sup> quarter. Third was Jordanian Dinar-denominated credit facilities, comprising 12.5% of total credit in the 4<sup>th</sup> quarter, and last was credit facilities denominated in other currencies, comprising 0.6% of the total (see Table 17).

**Table 17: The Distribution of Credit Facilities Portfolio 2004-2005 (\$ million)**

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>According Geographical Region</i>								
<b>West Bank</b>	752.9	788.2	886.1	907.4	1018.5	1069.4	1125.8	1191.1
<b>Gaza Strip</b>	417.4	463.2	444.2	520.3	574	603.8	672.6	600.7
<i>According to Borrowing Party</i>								
<b>Public sector</b>	336.3	350.3	362.4	414.1	534.1	586.8	638.1	592.2
<b>Private sector resident</b>	800.3	865.5	930	969.7	1003.2	1044	1100.1	1134.4
<b>Private sector Non-resident</b>	33.7	35.6	37.9	43.9	55.2	42.4	60.21	65.2
<i>According to Type of Credit</i>								
<b>Loans</b>	517.2	553.8	637.9	619.2	690	728.2	788.1	1154.3
<b>Overdrafts</b>	638.5	682	680.1	795.5	890.2	931.4	997.8	623.2
<b>Leasing</b>	6.3	6.6	6.7	7.3	7.9	9	8.7	10.4
<b>Bankers' Acceptances</b>	8.3	9	5.6	5.7	4.4	4.6	3.8	3.9
<i>According To Currency Type</i>								
<b>US Dollar</b>	753.4	798.2	825.5	843.4	1049.5	1200.3	1268	1256.7
<b>Jordanian Dinar</b>	153.3	168.8	174.8	174.2	182.1	197.8	216	224.3
<b>Israeli Shekel</b>	254.2	274.2	319.2	397.4	348.6	264.6	303.9	300.3
<b>Other Currencies</b>	9.4	10.2	10.8	12.7	12.3	10.5	10.5	10.5
<b>Total</b>	<b>1170.3</b>	<b>1251.4</b>	<b>1330.3</b>	<b>1427.7</b>	<b>1592.5</b>	<b>1673.2</b>	<b>1798.4</b>	<b>1791.8</b>

Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues

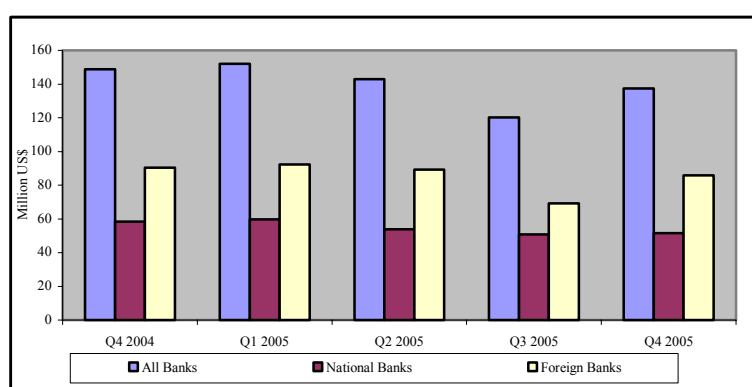
Loans represented the majority of credit facility types in the 4<sup>th</sup> quarter of 2005, comprising 64.4% of total credit. This is an increase of 46.5% over their levels in the 3<sup>rd</sup> quarter to arrive at US\$1,154.3 million. This increase in loans came at the expense of overdraft facilities, which dropped to the second rank. In fact, overdraft facilities dropped from US\$997.8 million in the third quarter to US\$623.2 million in the 4<sup>th</sup> quarter, thus representing 34% of total credit facilities. Other types of credit facilities such as leasing and bankers acceptances represented 0.6% and 0.2% of total credit facilities respectively.

The distribution of credit facilities by economic sectors shows that 20.4% of credit facilities were extended to general trade activities, 10.6% were extended to construction activities, 8.2% were extended to services, 6.7% were extended to industry, mining and agriculture and 54.1% were for other purposes.

### 13.4 Non-Performing Loans

Total credit subject to provisions at the end of the 4<sup>th</sup> quarter of 2005 totalled US\$137 million, an increase of 1.4% over the 3<sup>rd</sup> quarter. National banks' share was 37.7% of total non-performing loans in the 4<sup>th</sup> quarter of 2005, compared to 42.4% in the 3<sup>rd</sup> quarter. The ratio of non-performing loans to total credit facilities for the private sector increased from 10.5% in the 3<sup>rd</sup> quarter to 11.5% in the 4<sup>th</sup> quarter of 2005. On an annual basis, total loans subject to provisions in the end of 2005 decreased by 7.9% from 2004 for a total of US\$137 million (see Figure 19). This is a positive sign, which indicates the ability of companies and institutions to pay back loans.

**Figure 19: Distribution of Non-Performing Loans in the Palestinian Territories 2004-2005**

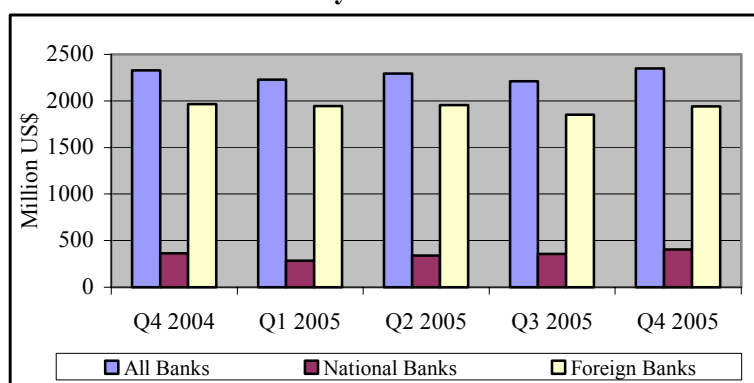


Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues

### 13.5 Banks' Deposits Abroad

Total foreign investments by banks operating in the Palestinian territories amounted to US\$2,347.5 million in the 4<sup>th</sup> quarter of 2005, an increase of 6.2% over the 3<sup>rd</sup> quarter of the year (see Figure 20). The total value of balances abroad in 2004 was US\$2,329.2 million. This was not necessarily a negative sign because bank foreign deposits decreased as a percentage of banks total deposits.

**Figure 20: Banks Foreign Investments: Quarterly Analysis 2004-2005**



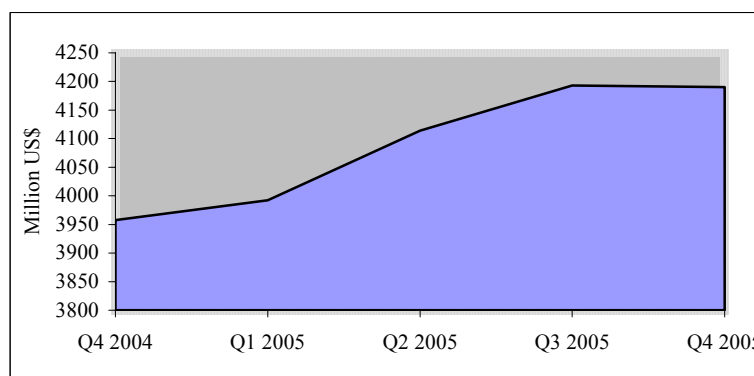
Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues

### 13.6 Bank Deposits

Total deposits slightly increased (by 0.15%) during the 4<sup>th</sup> quarter of 2005 to a total of US\$4,612.5 million, compared to US\$4,605.8 million in the 3<sup>rd</sup> quarter of the year. The overwhelming majority of deposits<sup>5</sup> (91%) were client deposits, while 9% were deposits by other banks. National banks held 24.3% of total deposits while foreign banks held 75.7% of the total. Overall, total deposits increased by US\$262.8 million in 2005 over their level in 2004.

In general, client deposits slightly decreased (0.07%) in the 4<sup>th</sup> quarter of 2005, totalling US\$4,605.8 million. National banks captured 21.3% of total client deposits while foreign banks captured 78.7% of client deposits. Overall, client deposits increased in 2005 by US\$232.5 million over the level in 2004 (see Figure 21).

**Figure 21: Client Deposits at Banks Operating in the Palestinian Territories**



Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues

#### ❖ Client Deposits According to Geographical Region

Banks' consolidated balance sheet for the 4<sup>th</sup> quarter of 2005 revealed a decline in client deposits in the West Bank by 1.1% in comparison to the 3<sup>rd</sup> quarter, thereby totalling US\$3,082.6 million. On the other hand, in the Gaza Strip client deposits increased by 3% during the same period for a total of US\$1,107.6 million. Consequently, the relative importance of client deposits in Gaza increased to 26.4% at a time when their relative importance in the West Bank decreased to a level of 73.6% during the 4<sup>th</sup> quarter of 2005 (see Table 19).

<sup>5</sup> Includes public and private sector deposits.

✧ **Distribution of Client Deposits According to Depositing Party**

Private sector deposits marked an increase of US\$9.2 million in the 4<sup>th</sup> quarter of 2005, an increase of about 3.0% over the level in the 3<sup>rd</sup> quarter for a total of US\$3,613.7 million. On the other hand, public sector deposits declined by US\$12.1 million (2.1%) for a total of US\$576.5 million during the same period.

✧ **Distribution of Client Deposits by Type**

Current deposits comprised 37.0% of total client deposits while time and saving deposits comprised 43.6% and 19.4% of the total respectively. Current deposits totalled US\$1,551.1 million in the 4<sup>th</sup> quarter of 2005, an increase of US\$94.6 million (6.5%) over its level in the 3<sup>rd</sup> quarter. Saving deposits also increased by 1.4% for a total of US\$813.5 million, while time deposits decreased by 5.6% for a total of US\$1,825.6 million.

✧ **Distribution of Client Deposits According to Currency Type**

Dollar-denominated deposits dominated client deposits (52.3%) although declined by 4.7 decimal points, followed by the Jordanian Dinar (24.9%) which increased by 9 decimal points, the New Israeli Shekel (17.6%) which also increased by 2.6 decimal points, and finally other currencies (5.2%) which declined by 1.2 decimal points.

**Table 19: Distribution of Client Deposits 2004-2005 (%)**

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>According Geographical Region</i>								
<b>West Bank</b>	76.7	76.4	78	75.3	76.2	74	73.9	73.6
<b>Gaza Strip</b>	23.3	23.6	22	24.7	23.8	26	26.1	26.4
<i>According to Depositing Party</i>								
<b>Public sector</b>	10.5	10.7	10.4	12.1	11.5	13.8	14.3	13.8
<b>Private sector- Resident</b>	87.6	87.3	87.6	85.7	86.7	84.5	83.3	84.2
<b>Private sector Non- resident</b>	1.9	2	2	2.2	1.8	1.7	1.9	2.0
<i>According to Type of Deposit</i>								
<b>Current</b>	34.3	35.2	35.1	35.7	35.4	36.8	35.7	37.0
<b>Savings</b>	17.7	18.9	19.2	19.2	19.6	19.4	19.1	19.4
<b>Time</b>	48	45.9	45.7	45.1	45	43.8	45.2	43.6
<i>According To Currency Type</i>								
<b>US Dollar</b>	58.1	57.9	57.1	57.3	56.3	56.8	57	52.3
<b>Jordanian Dinar</b>	23.6	23.8	23.9	24.1	24.6	23.9	24	24.9
<b>Israeli Shekel</b>	14.5	14.7	15.6	14.4	14.7	15.2	15	17.6
<b>Other</b>	3.8	3.6	3.4	4.2	4.4	4.1	4	5.2

Source: Calculated from Monthly Statistical Bulletin, Palestinian Monetary Authority, Various Issues

### 13.7 Bank Equity<sup>6</sup>

Equity of banks operating in the Palestinian Territories increased during the 4<sup>th</sup> quarter of 2005 by 16.5% over its level in the 3<sup>rd</sup> quarter of the year, to reach a total of US\$572.7 million. Banks operating profits increased during the same period by 62.9%, totalling US\$116.7 million (see Table 20). Overall, bank equity increased by 86.3% (US\$265.3 million) in 2005 over its amount in 2004. This increase in equity was mainly attributed to bank's operating profits which increased from US\$17.1 million in 2004 to US\$116.7 million in 2005.

<sup>6</sup> Includes paid capital, reserves, profits and underwriting premiums.

**Table 20: Selected Items from the Consolidated Balance Sheet for Banks Operating in the Palestinian Territories 2000 – 2005**

	2000	2001	2002	2003	2004	2005			
						Q1	Q2	Q3	Q4
Cash (%)	3	3.8	3.8	4.8	4.4	4.5	4.6	4.2	4.4
Balances with the PMA (%)	8.4	7.8	8.4	10.2	10.6	9.6	10.4	10.2	10.0
Balances at other banks (%)	5.1	5	4.1	7.6	4	4.4	3.7	3.1	2.4
Balances with banks abroad (%)	46.8	49.1	54.4	48	45.6	42.7	41.8	40.1	41.7
Credit facilities (%)	29.3	27.6	22.4	22.7	27.9	30.5	30.7	32.8	30.8
Portfolio Investment (%)	2.4	2	2.4	2.5	2.4	3	3.6	4.4	5.9
Other Assets (%)	5.1	4.6	4.5	4.3	5.1	5.3	5.2	5.2	4.8
<b>Assets/ liabilities</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Client Deposits (%)	76.4	76.8	80.4	76.6	77.4	76.4	75.5	76.5	74.8
PMA's Deposits (%)	2.6	2	2.5	2.4	2.9	2.1	3.1	2.6	3.1
Deposits of Banks in Palestine (%)	5	5.2	4.4	7.6	3.9	4.2	3.6	3	2.5
Deposits of Banks abroad (%)	5.8	5.7	1.6	1.1	0.9	2.4	2.4	1.9	1.9
Equity (%)	5.3	4.7	4.5	4.7	6	7.1	7.9	8.9	10.2
Bad debt allowances (%)	1.4	1.9	2.4	3	2.9	2.5	2.3	2.3	2.5
Other Liabilities (%)	3.5	3.6	4.3	4.6	6	5.3	5.2	4.8	5.0

Source: Palestinian Monetary Authority, unpublished data.

### 13.8 Performance Indicators

#### ❖ **Capital Adequacy**

This ratio reflects banks' abilities to meet expected and unexpected risks. The ratio for national banks was 11.2% in the 4<sup>th</sup> quarter of 2005 compared to 12.5% in the 3<sup>rd</sup> quarter of the year. Despite this decline, the ratio still hovers above the minimum required rate set by the Palestinian Monetary Authority. This ratio was 10% for commercial banks and 12% for other types of banks (see Table 21).

#### ❖ **Bad Credit Provisions<sup>7</sup> to Total Credit Facilities**

This indicator measures amounts allocated by banks to meet credit risk. Such amounts are calculated based on a predetermined rate set by the PMA on outstanding bank credit. This cumulative ratio increased from 6.7% in the 3<sup>rd</sup> quarter to 7.6% during the 4<sup>th</sup> quarter of 2005.

#### ❖ **Total Private Sector Credit to Private Sector Deposits**

This indicator when decreasing signals that banks are reinforcing their liquidity positions and becoming more conservative in lending. Data reveals that between 2004 and 2005 this indicator was increasing, signalling that banks were more eager to lend. In fact, this indicator increased from 30.7% in the 3<sup>rd</sup> quarter of the year to 33.2% in the 4<sup>th</sup> quarter. This could be attributed to the relative calm in the Palestinian Territories.

#### ❖ **Credit Facilities to Client Deposits**

This indicator is similar in its interpretation to the previous one. Since 2003 this indicator has been on the rise; it increased from 29.6% in 2003 to 36.9% in 2004. The trend also continued during the first three quarters of 2005, increasing from 39.9% to 40.7% to 42.9% in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters respectively. Although, it slightly decreased in the 4<sup>th</sup> quarter to 42.8%, it remains above the minimum level required by the Palestinian Monetary Authority (40%). An increase in this indicator also signifies banks willingness to finance economic activities.

<sup>7</sup> Provision to meet unexpected losses on credit facilities (1.25%-1.5% of total profits).



❖ **Foreign Investments to Total Deposits**

In an attempt by the PMA to assure that banks will invest the largest parts of their investments locally thus reducing banks' foreign investment, required banks to limit their foreign investment to 65% (maximum) of their total deposits abroad. This ratio has increased from 47.8% in the 3<sup>rd</sup> quarter of 2005 to 50.9% during the 4<sup>th</sup> quarter of the year. The ratio was 36.2% for national banks and 55.6% for foreign banks.

**Table 21: Bank Performance Indicators (2000-2005)**

Indicator	2000	2001	2002	2003	2004	2005			
						Q1	Q2	Q3	Q4
Capital Adequacy Ratio	12.9	11.6	11.3	9.1	10.2	10.9	12.9	12.5	11.2
Bad-Credit Provisions to Total Credit Facilities ratio	4.5	6.9	10.9	13.4	11.3	8.9	8	6.7	7.6
Total Private Sector Credit to Private Sector Deposits Ratio	28.1	26.7	25.9	24.9	29.1	30	30.6	30.7	33.2
Credit Facilities to Client Deposits Ratio	38.5	35.7	27.9	29.6	36.9	39.9	40.7	42.9	42.8
Foreign Investments to Total Deposits Ratio	52.3	54.7	61.3	55.4	53.5	50.1	49.4	47.8	50.9

Source: Palestinian Monetary Authority, unpublished data.

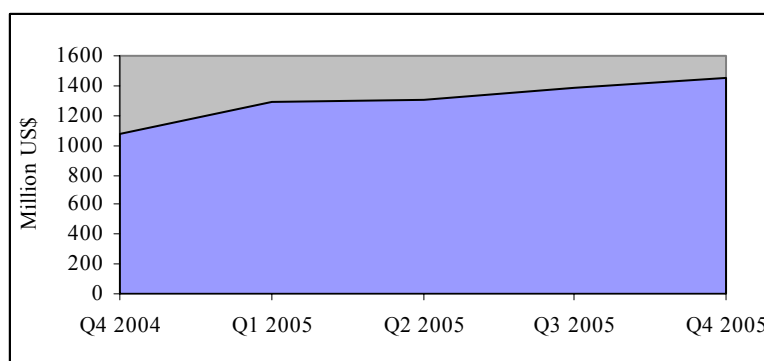
### 13.9 Clearing House<sup>8</sup> Activities

Improvements in cheque clearance and transfer activities continued. In fact, during the 4<sup>th</sup> quarter of 2005, the number of cheques and transfers presented for clearing increased, but so did the number bounced cheques.

❖ **Cheques Presented for Clearing**

The number of cheques presented for clearing increased during the 4<sup>th</sup> quarter of 2005 to 642,026, an increase of 6.7% over the 3<sup>rd</sup> quarter. Dollar-denominated cheques presented for clearing totalled US\$1446.3 million, an increase of 3.9% over the 3<sup>rd</sup> quarter (see Figure 22). Overall, the total number and value of cheques increased in 2005 in comparison to 2004. The number of cheques increased from 1,805,412 in 2004 to 2,278,014 in 2005, while the value of those cheques increased from US\$3,949.6 million to US\$5,379.7 million during the same period.

**Figure 22: Trends in the Value of Cheques Presented for Clearing**



Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues

<sup>8</sup> PMA's clearance houses are located in Ramallah, Nablus and Gaza City.

❖ **Bounced Cheques**

Bounced cheques denominated in various currencies increased during the fourth quarter of 2005 to 91,594, an increase of 14.3% over their number in the 3<sup>rd</sup> quarter of the year. Bounced cheques also comprised 14.3% of the total number of cheques presented for clearing, compared to 13.3% in the 3<sup>rd</sup> quarter (see Table 22). Overall, the total number of bounced cheques increased from 254,640 with a value of US\$314 million in 2004 to 310,841 with a total value of US\$377.4 million in 2005.

**Table 22: Number and Value of Cheques Presented for Clearing and Proportion Bounced**

Period	Cheques presented for Clearing		Bounced Cheques		Percent Bounced	
	Number of Cheques	Dollar value of cheques (\$m)	Number of Cheques	Dollar value of cheques (\$m)	Number %	Value %
Q4 2004	492,838	1073.2	78,118	97	15.9	9.0
Q1 2005	492,608	1233.7	70,550	84	14.3	6.8
Q2 2005	541,787	1308.4	68,583	79.7	12.7	6.1
Q3 2005	601,593	1391.4	80,114	104.6	13.3	7.5
Q4 2005	642,026	1446.3	91,594	109.2	14.3	7.6

Source: Palestinian Monetary Authority, Monthly Statistical Bulletin, Various Issues

### 13.10 Exchange Rate Spread

Table 23 shows the exchange rate for the US dollar against the Israeli shekel in Palestinian and Israeli banks and at exchange bureaus and street money exchangers. Exchange rate spreads were high in the Palestinian territories and Israel. The exchange rate spread increased by the same PIP in exchange bureaus and street money exchangers, reaching 0.43% on 7/3/2006 from 0.36% on 29/11/2005. The spread increased to 1.57% to 1.15% from Palestinian banks and to 3.27% from 1.15% at Israeli banks during the same period.

**Table 23: Dollar Exchange Rate against Israeli Shekel on 7/3/06**

Sector	Buying Price	Selling price	Spread	Spread Unit	Difference (%)
<b>Street money exchangers</b>					
Street money exchanger 1	4.69	4.71	0.02	20	0.43
Street money exchanger 2	4.70	4.72	0.02	20	0.43
Street money exchanger 3	4.68	4.7	0.02	20	0.43
Average	4.69	4.71	0.02	20	0.43
<b>Exchange Bureaus</b>					
In Ramallah	4.69	4.71	0.02	20	0.43
In Nablus	4.69	4.71	0.02	20	0.43
In Bethlehem	4.69	4.71	0.02	20	0.43
Average	4.69	4.71	0.02	20	0.43
<b>Palestinian Banks</b>					
In Ramallah	4.65	4.75	0.1	100	2.15
In Nablus	4.7	4.72	0.02	20	0.43
In Bethlehem	4.66	4.76	0.1	100	2.15
Average	4.67	4.74	0.073	73.3	1.57
<b>Average in Palestinian Territories</b>	<b>4.68</b>	<b>4.72</b>	<b>0.04</b>	<b>17.8</b>	<b>0.81</b>
<b>Israeli Banks</b>					
International Bank of Israel	4.59	4.8	0.21	210	4.58
Union Bank of Israel	4.71	4.72	0.01	10	0.21
Bank Leumi Israel	4.59	4.82	0.23	230	5.01
<b>Average in Israel</b>	<b>4.63</b>	<b>4.78</b>	<b>0.15</b>	<b>150</b>	<b>3.27</b>

The Jordanian Dinar to Shekel exchange rate spreads increased from 0.76% to 0.88% in the Palestinian territories and from 7.11% to 7.69% in Israel during the same period (see Table 24).

**Table 24: Jordanian Dinar Exchange Rates against the Shekel on 7/3/06**

Sector	Buying Price	Selling price	Spread	Spread Unit	Difference (%)
<b>Street money exchangers</b>					
Street money Changer 1	6.6	6.65	0.05	50	0.76
Street money Changer 2	6.62	6.65	0.03	30	0.45
Street money Changer 3	6.62	6.65	0.03	30	0.45
Average	6.61	6.65	0.04	36.67	0.55
<b>Exchange Bureaus</b>					
In Ramallah	6.62	6.67	0.05	50	0.76
In Nablus	6.6	6.65	0.05	50	0.76
In Bethlehem	6.63	6.65	0.02	20	0.30
Average	6.62	6.66	0.04	40	0.6
<b>Palestinian Banks</b>					
In Ramallah	6.58	6.68	0.1	100	1.52
In Nablus	6.62	6.7	0.08	80	1.21
In Bethlehem	6.58	6.69	0.11	110	1.67
Average	6.59	6.69	0.10	96.67	1.47
<b>Average in Palestinian Territories</b>	<b>6.61</b>	<b>6.67</b>	<b>0.06</b>	<b>57.78</b>	<b>0.88</b>
<b>Israeli Banks</b>					
International Bank of Israel	6.23	7.16	0.93	930	14.9
Union Bank of Israel	6.65	6.66	0.01	10	0.2
Bank Leumi Israel	6.39	6.9	0.51	510	8.0
<b>Average in Israel</b>	<b>6.42</b>	<b>6.91</b>	<b>0.48</b>	<b>483.33</b>	<b>7.69</b>

Source: Collected by MAS through Field Survey carried out in Ramallah, Nablus and Bethlehem, and by telephone calls to Israeli banks.

The Euro spread was also on the rise in the Palestinian Territories and Israel. The Euro spread increased from 1.12% on 29/11/ 2005 to 1.30% on 7/3/2006. In Israel, it increased from 1.16% to 3.33% during the same period (see Table 25). In general, at Palestinian banks, the spread in the Jordanian Dinar was lower than the spread in Euro, while in Israel the spread on the Jordanian Dinar was higher than the spread on the Euro. This might be attributed to the fact that the Jordanian Dinar is more commonly transacted in the Palestinian territories, while the Euro is relatively more commonly transacted in Israel.

**Table 25: Euro Exchange Rate against Israeli Shekel on 7/3/06**

Sector	Buying Price	Selling price	Spread	Spread Unit	Difference (%)
<b>Street money exchangers</b>					
Street money Changer 1	5.57	5.63	0.06	60	1.08
Street money Changer 2	5.58	5.62	0.04	40	0.72
Street money Changer 3	5.65	5.66	0.01	10	0.18
Average	5.60	5.64	0.04	36.67	0.66
<b>Exchange Bureaus</b>					
In Ramallah	5.56	5.6	0.04	40	0.72
In Nablus	5.6	5.7	0.1	100	1.79
In Bethlehem	5.6	5.65	0.05	50	0.89
Average	5.59	5.65	0.06	63.33	1.13
<b>Palestinian Banks</b>					
In Ramallah	5.55	5.71	0.16	160	2.88
In Nablus	5.59	5.66	0.07	70	1.25
In Bethlehem	5.57	5.69	0.12	120	2.15
Average	5.57	5.69	0.12	116.67	2.10
<b>Average in Palestinian Territories</b>	<b>5.59</b>	<b>5.66</b>	<b>0.07</b>	<b>72.22</b>	<b>1.30</b>
<b>Israeli Banks</b>					
International Bank of Israel	5.53	5.78	0.25	250	4.52
Union Bank of Israel	5.63	5.64	0.01	10	0.18
Bank Leumi Israel	5.48	5.77	0.29	290	5.29
<b>Average in Israel</b>	<b>5.55</b>	<b>5.73</b>	<b>0.18</b>	<b>183.33</b>	<b>3.33</b>

Source: Collected by MAS through Field Survey carried out in Ramallah, Nablus and Bethlehem, and by telephone calls to Israeli banks.

## 14. Palestine Securities Exchange

The stock market commenced the New Year (2006) on a low note. All performance indicators fell back disappointing many experts and stockholders who were expecting larger dividend distributions than approved by company boards. January was a relatively quiet month at the stock market as investors were awaiting company financial reports and dividend distribution. Therefore many investors held on to the stocks, which resulted in fewer transactions and a decline in size and value of trades. The outcome of the Palestinian legislative elections along with some donor countries' negative public announcements caused confusion and worry amongst investors. This led to an drop in the prices of most companies listed on the stock exchange, and many investors retreated from the market. However, the period 5-16/2/2005 saw a bounce back in the prices of most companies which suffered during the elections, pushing al-Quds Index upwards past the 1000 point mark again.

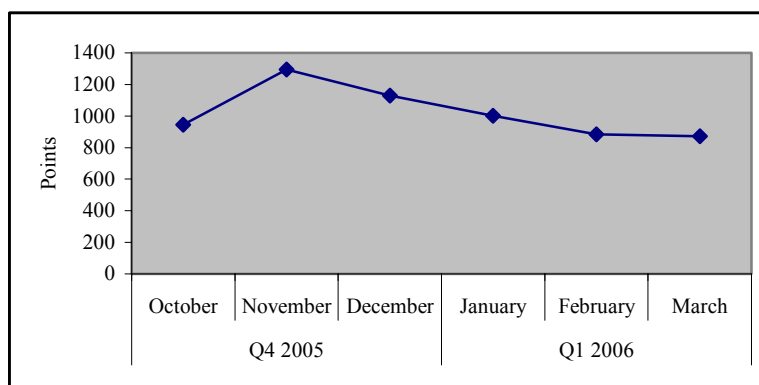
Stock prices were very volatile in March 2006. Many experts found no explanation for the sharp decrease in stock prices, especially since many of them had had exceptional performance during the period. This caused many companies to repurchase stocks (up to 10%) in order to protect small investors. Moreover, the maximum allowed stock price change in a single trading session was lowered from 5% to 3%. The market also received financial reports covering the first quarter of 2006, and 25 out of 28 listed companies' submitted financial reports on schedule. Out of the 25

companies that submitted financial reports, 22 showed positive profits during the first quarter of the year.

Data from the Palestine Securities Exchange show a decline in most indicators. Trading value declined by 38.7% during the 1<sup>st</sup> quarter of 2006 in comparison to the 4<sup>th</sup> quarter of 2005, arriving at a total of US\$503.4 million, while total trading volume declined by 38.5% during the same period, reaching 70 million traded shares. Market capitalization reached US\$3 billion, a decrease of about 31.8%, and the number of traded contracts decreased from 64,958 to 43,259 between the two quarters, a decline of 33.4%. There were two fewer trading sessions compared to the 4<sup>th</sup> quarter of 2005, totalling 57 sessions, and Al-Quds stock index was at 871.54 points at the end of March, a decline of 22.8% in comparison to the 4<sup>th</sup> quarter of 2005.

On an annual basis, Al-Quds Index closed at 1128.59 points at the end of 2005 compared to 277.56 points end of 2004, an increase of 306%. Trading volume during 2005 exceeded US\$2 billion, 146.6% higher than the trading volume for the previous five years combined (US\$811 million). The total number of traded shares in 2005 reached 369 million, compared 103 million shares in 2004, an increase of 258%. Finally, market capitalization reached US\$4.4 billion at the end of 2005 compared to US\$1.09 billion at the end of 2004, an increase of 303.7% (see Figure 23).

**Figure 23: Al-Quds Index: 4th Quarter 2005, 1st Quarter 2006**



Source: Palestinian Securities Exchange Website

The Palestinian Securities Exchange (PSE) inaugurated a new trading, deposit and transfer system (CDS) the 1<sup>st</sup> quarter of 2006. The advantages of the new system include:

1. It does not allow the trading system to process a sale order to an account with insufficient funds or inaccurate details.
2. Whenever a broker exceeds his trading ceiling (every broker has a ceiling which should not be exceeded, especially when purchase orders exceed sale orders), the system send a message to users to inform them about the violation. PSE can control options that allow it to reject deals that surpassed the ceiling, or it could accept the first deal that exceeds the ceiling and then reject the rest, or stop the brokers orders' altogether.
3. The system makes it possible to divide stockholders into groups such as local, Arab and foreign stockholders.
4. The system also stops any orders that may increase ownership in the company beyond the rate set by internal company rules. This applies to local, Arab and foreign investors.
5. A new feature of the system is that new accounts opened at brokers and the market remains 'held' until reactivated by PSE upon confirmation that they meet regulations.
6. The new system improves the broadcasting of trade information to investors.
7. The new system also connects companies listed on the exchange with the CDS system to allow them access to investors' data.
8. The system produces multicurrency inter-company clearance reports.

## 15. Consumer Price Index

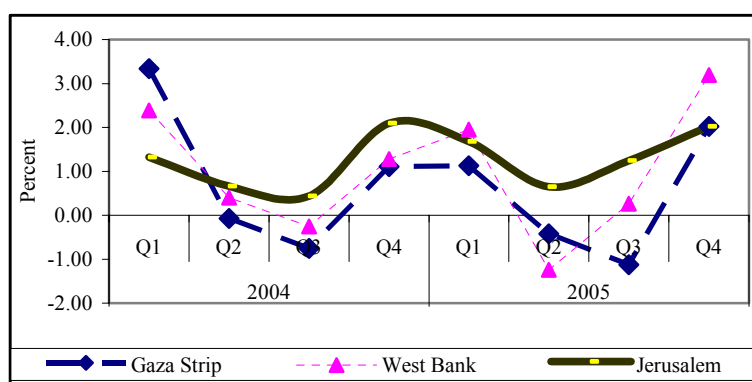
The Consumer Price Index (CPI) covers Jerusalem, the remaining West Bank and the Gaza Strip. Fourth quarter data indicate an increase in the consumer price index in Shekels by 2.41% in comparison to the 3<sup>rd</sup> quarter of 2005. Housing services was the main contributor to this increase, rising by 4.55% because of increases in fuel prices. The food group in the basket increased by 3.49%, other goods and services increased by 2.00%, transportation increased by 1.99%, and beverages and tobacco increased by 1.39%. Moreover, furniture and household products and services increased by 0.92%, the textiles, clothes and shoes group increased by 0.78%, medical services increased by 0.77% and educational services increased by 0.63%. On the other hand, prices of luxury goods decreased by 0.78%.

The CPI increased in the remaining West Bank by 3.19%, the highest among all regions. Housing services was also the largest contributor, increasing by 5.49%. The CPI also increased in Jerusalem by 2.02%, witnessing increases in housing services (4.20%), the food group (2.59%), transportation (2.37%) and the textiles, clothes and shoes group (1.38%). The CPI in the Gaza Strip also by 2.02% during the 4<sup>th</sup> quarter of 2005, mainly caused by a 6.0% increase in food prices, followed by housing services (4.2%) and transportation (2.37%).

The CPI for perishable good (food products, beverages and electricity) increased in the Palestinian territories by 3.57% during the 4<sup>th</sup> quarter of 2005 in comparison to the 3<sup>rd</sup> quarter of the year. On the other hand, the CPI for durable goods (cars, furniture, household appliances) increased by 1.73% while semi-durable goods (clothes, car parts) increased by 0.65% during the 4<sup>th</sup> quarter of 2005 and services (transport fares) increased by 0.54% during the period.

Data indicate that the consumer price index for locally-manufactured goods increased by 2.34% during the 4<sup>th</sup> quarter of 2005, while the CPI for imported goods increased by 2.97% during the same period.

**Figure 24: Average Inflation (in Shekels) in Jerusalem, Remaining West Bank and Gaza Strip, 2004 – 5**



Source: calculated by MAS based on Consumer Price Index released by PCBS, 2005

With a base year 1996 = 100, the consumer price index increased to 146.79 in 2005 compared to 141.86 for the previous year. This increase is higher than the increase in 2004, where the CPI increased by 3.0% over 2003. This annual increase was caused by a rise in the beverages and tobacco group (5.60%), other goods and services (5.30%), housing services (4.23%), food prices (3.77%), transportation and communication (3.15%), furniture and household goods and services (2.85%), health care (2.60%), textiles, clothes and shoes (1.63%) and educational services (1.07%), while luxury goods declined by 1.40% in 2005.

Notable increases in the prices of individual items in the consumer basket included fresh fruits and vegetables by 1.11%, gasoline by 4.68%, cigarettes by 4.0%, energy and fuel by 12.09%, and gold by 9.03% in 2005.

### 15.1 Purchasing Power

The exchange rate of the US Dollar and the Jordanian Dinar increased by 2.8% for the Dollar and 2.5% for the JD in the Palestinian territories during the 4<sup>th</sup> quarter of 2005 over the 3<sup>rd</sup> quarter (see Table 26). The increase in exchange rates was slightly higher than the increase in CPI, hence purchasing power increased by 0.42% for the Dollar and 0.06% for the JD. In the West Bank, purchasing power declined by 0.36% for Dollar and 0.72% for the JD, while in Jerusalem and the Gaza Strip purchasing power increased by 0.81% for the Dollar and 0.45% on the JD. A comparison between 2004 and 2005 shows that exchange rates of the Dollar and JD increased by 0.16% and 0.14% respectively. Inflation increased by 3.47% between the two years, hence the purchasing power of the Dollar and JD fell by 3.31% and 3.33% respectively.

**Table 26: Average Exchange Rate for Jordanian Dinar and US Dollar against the Shekel**

Year	USD/ NIS	JD/NIS
Q1 2004	4.46	6.28
Q2 2004	4.55	6.40
Q3 2004	4.50	6.35
Q4 2004	4.40	6.22
Q1 2005	4.35	6.15
Q2 2005	4.40	6.21
Q3 2005	4.53	6.39
Q4 2005	4.66	6.55
<b>2004</b>	<b>4.48</b>	<b>6.31</b>
<b>2005</b>	<b>4.49</b>	<b>6.32</b>

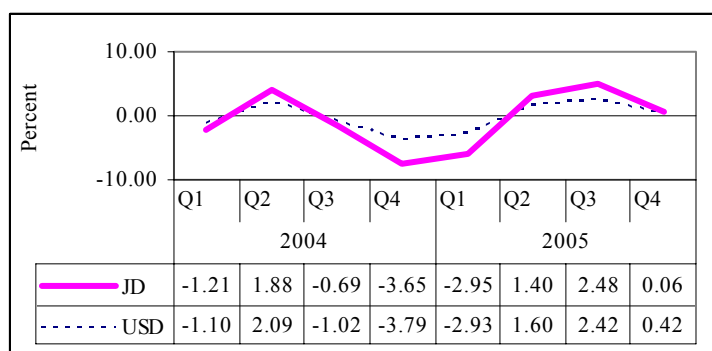
Source: PCBS

**Table 27: Developments in Purchasing Power for the JD and Dollar in the West Bank and Gaza Strip**

Region	Currency	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2004	2005
Palestinian Territories	USD	-1.10	2.09	-1.02	-3.79	-2.93	1.60	2.42	0.42	<b>-1.01</b>	<b>-3.31</b>
	JD	-1.21	1.88	-0.69	-3.65	-2.95	1.4	2.48	0.06	<b>-1.07</b>	<b>-3.33</b>
Remaining West Bank	USD	-1.16	1.68	-0.78	-3.58	-3.01	2.39	2.57	-0.36	<b>-1.21</b>	<b>-2.73</b>
	JD	-1.27	1.47	-0.45	-3.44	-3.04	2.18	2.63	-0.72	<b>-1.27</b>	<b>-2.75</b>
Jerusalem	USD	-0.95	1.42	-1.47	-4.39	-2.74	0.5	1.59	0.81	<b>-1.75</b>	<b>-5.18</b>
	JD	-1.06	1.22	-1.14	-4.26	-2.76	0.29	1.64	0.45	<b>-1.81</b>	<b>-5.20</b>
Gaza Strip	USD	-1.99	2.15	-0.28	-3.4	-2.19	1.57	3.95	0.81	<b>-1.37</b>	<b>-1.01</b>
	JD	-2.1	1.95	0.05	-3.27	-2.21	1.36	4.01	0.45	<b>-1.44</b>	<b>-1.03</b>

Source: Source: calculated by MAS based on Consumer Price Index released by PCBS, 2005

**Figure 25: Developments in Purchasing Power for the JD and Dollar in Palestinian Territories**



Source: Source: calculated by MAS based on Consumer Price Index released by PCBS, 2005

## 15.2 Average Prices of Some Consumer Goods and Services

Table 28 shows average prices in 2005 for some goods and services in the West Bank and Gaza.

**Table 28: Average Consumer Prices for Selected Goods 2005 (NIS)**

Item	Unit	Jerusalem	West Bank	Gaza Strip
Rice (Sunwhite)	25 kg	88.58	83.99	87.63
Pita bread	1 kg	3.13	2.99	2
Lamb	1 kg	50.13	41.12	46.21
Beef	1 kg	37.63	33.62	31.03
Chicken	1 kg	12.6	9.69	7.87
Powdered Milk (French)	2.5 kg	95.83	81.95	81.35
Yoghurt (Aljuneidi)	500 g	3.54	3.5	5
Eggs	2 kg	14.16	12.04	9.96
Olive Oil	1 kg	25.75	19.03	20.71
Tomatoes	1 kg	2.83	2.27	1.26
Green Beans	1 kg	9.36	6.38	3.75
Molokhiya	1 kg	6.79	4.44	2.78
Lentils	1 kg	6.67	4.97	4.19
Chick peas	1 kg	6.46	4.95	5
Tea (Ghazalein)	1/2 kg	10	9.19	9
Columbian Coffee	1 kg	46.96	30.85	28.58
Cigarettes (Imperial's)	20	9.23	9	9
Gas cylinder	12 kg	55.42	39.20	39.04
Physician's fees	visit	30	32.93	25.42
Tooth extraction	visit	40	32	25
Jeans (Locally made)	pair	103.75	60.11	60

Source: PCBS, 2005.

- Prices represent general averages for Jerusalem, remaining West Bank and the Gaza Strip. There are certainly price variations across governorates in addition to variations within the same governorate and between cities and towns.
- Average consumer prices in Jerusalem were the highest because of Jerusalem's stronger connection to the Israeli economy. Price variation increases especially in non-tradable goods. For example, a dentist charges NIS 32 in the West Bank and NIS 25 in the Gaza Strip to extract a tooth, while the same service costs NIS 40 in Jerusalem.



## 16. Expectations of Owners and Managers of Industrial Establishments

According to the latest economic polls conducted by PCBS in February 2006, 36.5% of owners of economic establishments were optimistic about conditions of their establishments in the short run (expectations for next month, March) compared to 26.7% in January 2006. These expectations were higher in the Gaza Strip (52.5%) compared to the West Bank (32.2%). Optimism regarding better employment amongst establishment owners/managers reached 17.9% in the Palestinian territories in February compared to 13.7% in January. Optimism regarding better employment was more prevalent in the Gaza Strip (30.0%) compared to the West Bank (14.3%). Moreover, 26.0% of establishment owners in the Palestinian territories expected better sales in the short run, compared to 27.5% in January of 2006. In the West Bank, 26.3% of establishment owners expected better sales in the short run compared to 25.1% in the Gaza Strip.

In the medium term (the next 6 months), 42.8% of establishment owners in the Palestinian territories expected the condition of their establishments to improve, compared to 59.0% of those surveyed in January. Gazan establishment owners in the medium run were more optimistic about the conditions of their establishments improving (71.7%) than West Bankers (34.5%). In addition 23.5% of establishment owners were optimistic about better levels of employment at their establishments compared to 31.8% during the January survey. Expectations of establishment owners in the Gaza Strip (43.3%) were higher than in the West Bank (17.9%). Moreover, 32.8% of establishment owners in the Palestinian territories were optimistic about better sales during the forthcoming six months, compared to 30.3% in the January survey. Again, expectations in the Gaza Strip (38.8%) were higher than in the West Bank (31.1%).

**Table 29: Expectations of Industrial Establishment Owners in the Short and Medium Terms (%)**

Indicator	Next Month			Next Six Months		
	WBGS	West Bank	Gaza Strip	WBGS	West Bank	Gaza Strip
Expecting an overall improvement in their establishment	36.7	32.2	52.5	42.8	34.5	71.7
Expecting higher employment level	17.9	14.3	30.0	23.5	17.9	43.3
Expecting higher sales volume	26.0	26.3	25.1	32.8	31.1	38.8

Source: Survey of Establishment Owners/ Managers regarding Economic Conditions, PCBS, February 2006.

10.4% of establishment owners in the Palestinian territories indicated that their establishments performed better in February in comparison to January of 2006, but 44.5% of respondents indicated that their establishments were worse-off during the same period. In the West Bank, only 11.9% establishment owners indicated that they were optimistic about their establishments in February, in comparison to 36.6% of Gazan establishment owners. Only 6.0% of establishment owners in the Palestinian territories indicated that access to raw materials improved in February. In the West Bank, 4.3% of respondents indicated they had easier access to raw materials compared to 11.8% in the Gaza Strip. In addition, 22.4% of Gazans indicated that employees managed to reach work more easily due to the Israeli disengagement from the region. However, only 23.7% of establishment owners indicated being able to open for business regularly in February. In Gaza, only 4.5% said that they were able to operate their establishment regularly.

Restrictions on exports continued: 23.9% West Bank establishment owners indicated facing problems in shipping their finished products in February of 2006. In Gaza, 57.5% of respondents indicated facing problems in shipping their finished products as a result of Israeli control over border crossings with Egypt and Israel. The Karni crossing remained closed for the most part and only opened for a couple of days every two weeks, allowing in only a number of shipments of

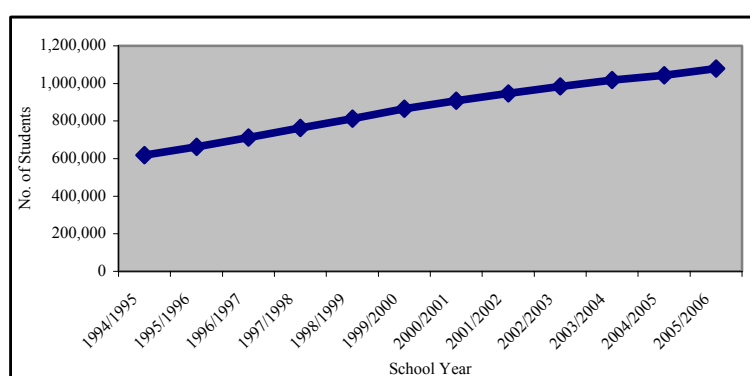
emergency food supplies. In the West Bank, 34.5% of establishment owners attributed the decline in expected sales to a decline in purchasing power, 19.4% attributed it to marketing difficulties and 15.6% blamed closures and seasonal factors. On the other hand, 72.0% of Gazans blamed closures and seasonal factors while 15.6% attributed decline in expected sales to a decline in purchasing power and 12.5% blamed the difficulty in getting raw materials.

## 17. Education

### 17.1 Schooling

The total number of students in the Palestinian territories reached 1.08 million during the school year 2005/2006. This represents increase of 3.3% over the previous year. Figure 25 shows a continuing increase in students enrolled in general education, as the total rose from 617.9 thousand in 1994/95 to 1078.5 thousand in 2005/6, an average annual increase of 41.8 thousand students. The increase in 2005 was 34.5 thousand students (see Table 30). The increase in total numbers of students is a result of the natural population increase and improving enrolment rates in general education, especially secondary education.

**Figure 26: Numbers of Students in Palestinian Schools**



Source: Ministry of Higher Education Data

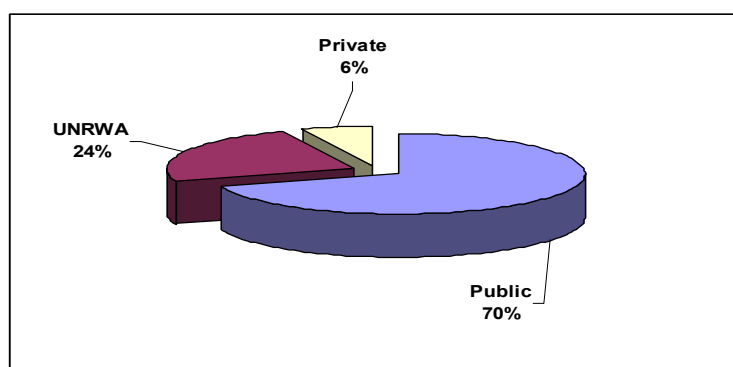
**Table 30: Numbers of School Students in Palestinian Schools and Annual Growth Rate, 1994/1995 – 2005/2006**

Year	Number of Students	Increase	Growth rate (%)
1994/1995	617,868		
1995/1996	662,627	44,759	7.2
1996/1997	712,820	50,193	7.6
1997/1998	763,467	50,647	7.1
1998/1999	812,722	49,255	6.5
1999/2000	865,540	52,818	6.5
2000/2001	907,128	41,588	4.8
2001/2002	947,299	40,171	4.4
2002/2003	984,108	36,809	3.9
2003/2004	1,017,443	33,335	3.4
2004/2005	1,043,935	26,492	2.6
2005/2006	1,078,488	34,553	3.3

Source: Ministry of Higher Education Data

Most students (70%) are enrolled in public schools, while 24% are enrolled in UNRWA schools and 6% in private schools (see Figure 27). These are around the same proportions for the previous year, although the data show a slow increase in percentage of students enrolled in public schools, stability in the proportion at private schools students, and a decline in students enrolled at UNRWA schools. Public school students increased from 68% in the school year 1994/1995 to 70% in 2004/2005 while UNRWA students declined from 26% to 24% during the same period.

**Figure 27: Distribution of Palestinian Students According to Supervising Authority 2005/2006**



Source: Ministry of Higher Education, Outcomes of General Education in Palestine, 2005/2006

Taking gender into account, data reveal that 50.2% of students are girls and their ratio is relatively higher in public schools (50.3%) and UNRWA schools (50.4%) than in private schools (40%). This might be attributed to the fact that Palestinian families give sons priority in attending private schools at the expense of daughters. PCBS data revealed an increase in the number of teachers from 19,843 in 1994/1995 to 38,805 in 2004/2005. Different data from the Ministry of Higher Education, which includes academic and social advisors, indicate that the number of teachers reached 48,674 in 2005/2006.

**Table 31: Basic School Education Data in the Palestinian Territories**

School Year	No. of Schools	No. of Students	Students per class		Students per teacher
			Basic Schools	Secondary schools	
1995/1994	1,474	617,868	37.1	30.2	31.1
1996/1995	1,470	662,627	37.5	30.4	30.7
1997/1996	1,532	712,820	37.3	29.9	29.8
1998/1997	1,611	763,467	37.2	29.8	29.2
1999/1998	1,691	812,722	37.2	30.2	29.5
2000/1999	1,767	865,540	37.5	30.3	29.4
2001/2000	1,835	907,128	37.3	30.2	27.7
2002/2001	1,918	947,299	37.1	30.6	28.1
2003/2002	2,006	984,108	36.7	30.6	27.8
2004/2003	2,109	1,017,443	36.1	30.4	27.3
2004/2005	2,192	1,043,935	35.6	30.6	26.8
2005/2006	2,276	1,078,488	35.3	31.4	*

Source: Ministry of Higher Education, Summary of General Education in Palestine, 2005/2006.

PCBS website.

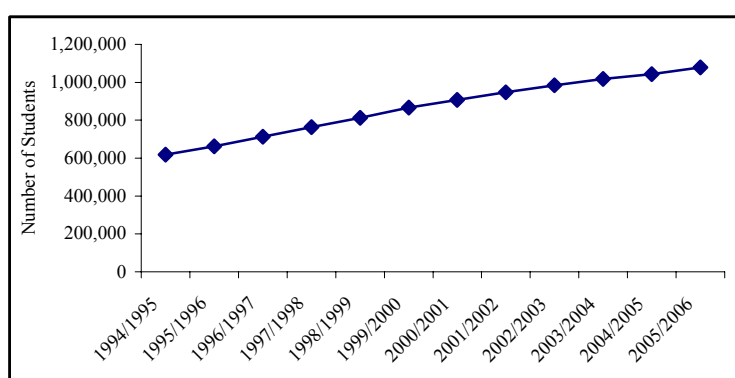
\* The number of teachers for 2005/2006 include social and academic advisors (groups who do not practically teach), therefore the ratio of students per teacher was not calculated for this year.

Data revealed a marginal improvement in classroom crowding in basic schools, with an average of 35.3 students per classroom in 2005/2006 compared to 35.6 in 2003/2004. In secondary schools, classroom crowding has fluctuated over the years, but overall it has been increasing. In fact, it rose from 30.2 students per classroom in 1994/1995 to 31.4 in 2005/2006 (see Table 31).

The average number of students per teacher has improved, as the number decreased from 31.1 students for every teacher in 1994/1995 to 26.8 in 2004/2005. This is because of an annual increase in teachers' numbers, especially in public schools.

The number of schools increased by an average of 4.5% annually between 1996/1997 and 2005/2006 and by 3.8% between 2005/2006 and the previous year (see Figure 28). Overall, the total number of schools increased by 84 (see Table 32).

**Figure 28: Number of School Students in the Palestinian Territories 1996/1997- 2005/2006**



Source: Ministry of Higher Education, Summary of General Education in Palestine, 2005/2006

In general, quantitative indicators reveal improvements in the educational process in the Palestinian territories. However, this improvement needs verification in terms of the quality of education and the type of skills acquired.

## 17.2 Conditions of Graduates of Higher and Vocational Education Institutes

PCBS data revealed that 473 thousand individuals over the age of 15 are enrolled in formal education, representing 22.8% of people of this age (with women comprising 49% of the total). It is estimated that 296 thousand are graduates of formal and vocational education<sup>9</sup>, comprising 14.5% of people 15 years old and above. Holders of bachelor's degrees are estimated to comprise 140.9 thousand individuals, representing 48% of graduates, while 15.5 thousand hold of masters' degrees or higher. Holders of a two-year college diplomas are estimated at 91.4 thousand, representing 31% of the number of graduates (64% are males). Graduates of vocational training programs and vocational secondary schools are estimated at 48.2 thousand (64% of whom are males). Male graduates are concentrated in the bachelor's degree or higher bracket (55% of graduates), while 28% of male graduates hold a two-year college diploma and 17% are graduates of vocational training. On the other hand, 49% of female graduates hold a bachelor's degree, 36% hold a two year college diploma and 14% are graduates of vocational programs (PCBS, Survey of Higher Education and Vocational Training Graduates, 2006).

Table 32 indicates that labour force participation rates of graduates are high (about 80%). In fact, participation in the labour force increases with higher levels of education. Labour force participation rate is 89.0% among holders of bachelor's degrees or higher, 76.5% for graduates of

<sup>9</sup> Holders of a post-school diploma or those who have completed vocational secondary school or at least 6 months vocational training after secondary school.

vocational education and 76.9% for holders of two-year college diplomas. The unemployment rate amongst graduates is 25%. There is a positive relationship between level of education and employment, as unemployment increases among graduates of vocational education in comparison to holders of college and university degrees.

The data shows that most graduates are paid workers, more so amongst graduates of universities in comparison to college and vocational graduates. On the other hand, the percentage of those self-employed increases among graduates of vocational education in comparison to university graduates. There is a positive relationship between the level of education and the daily wage earned, as the wages of university graduates are higher than college graduates, which are also higher than vocational program graduates.

**Table 32: Proportional Distribution of Graduates According to Selected Labour Market Indicators**

Labour market indicators	Level of education			Total
	Vocational training	2-Year college	Bachelor's	
Labour force participation (%)	76.5	76.9	89.2	83.4
Unemployment rate (%)	34.8	26.4	22.1	25.2
<b>Employment Status</b>				
Business owner (%)	11.1	5.2	5.3	6.0
Self employed (%)	19.3	11.9	5.0	8.7
Unpaid family member (%)	2.4	1.1	1.1	1.3
Paid worker (%)	67.2	81.8	88.6	84.0
Average monthly salary for	64.7	81.2	100.5	91.7

Source: PCBS, Survey of Higher Education and Vocational Training Graduates (Dec. 2005- Jan. 2006), preliminary findings

Data also revealed that the average time out of work for vocational graduates and holders of a two-year college diploma is 27 months, while for bachelor's degrees and higher is 16 months. Most graduates attributed this long period out of work to factors such as lack of demand for the specialization and lack of experience. This shows the need for a review of the structure of higher education in terms of specializations offered and quality of education that would meet market needs and fuel economic growth.

### 17.3 Cultural Institutions

According to the latest survey of cultural institutions conducted by the PCBS (at the end of 2005), there were 427 cultural institutions in the Palestinian territories, 300 of which were operational (216 in the West Bank and 84 in Gaza Strip). Most of the cultural institutions are categorized as educational centres (see Table 33). The total number of educational centres in 2005 was 174, compared to 62 in 2004. One must caution here that the data for the two dates cannot be compared because the collection methodology in each year was different. Data for 2004 relied on official counts, while data for 2005 were derived from a comprehensive field survey that covered all cultural institutions<sup>10</sup>. The survey revealed that 60% of educational centres have libraries and 97% are administered by boards, 79% of which were elected members.

Museums and theatres are very limited in the Palestinian territories. In fact, there were only 5 museums (the same number as in 2004) and 14 theatres in 2005, although there were only 5 theatres in 2004. There are 31 publishing houses in the Palestinian territories (see Table 33), 10% of which only publish books while 20% only print books and 70% publish and print. There are also 31 public libraries providing services to 244,530 subscribers, of which 81% have computers, 71%

<sup>10</sup> PCBS defines a cultural institution as an institute that includes goods and equipment used for artistic, handicraft, games and sports activities which facilitate the practice of educational activities.

have an classification system and 29% have access to the internet. The survey also found that there are 21 radio stations, 22 TV stations and two combined TV and radio stations in the Palestinian Territories. Five of the 21 radio stations are located in the Gaza Strip. Most stations (98%) produce local programs and 76% co-produce programs.

**Table 33: Cultural Institutions Operating In the Palestinian Territories According to Type and Region, 2005**

Cultural institutions	West Bank	Gaza Strip	Palestinian Territories
Cultural centres	122	52	174
Museums	4	1	5
Theatres	7	7	14
Public libraries	20	11	31
Publishing houses	23	8	31
Radio and TV stations	40	5	45
Total	216	84	300

Source: PCBS, Press conference: Outcomes of reality of Cultural institutions, 2005.

## 18. Health Services

The total number of health establishments in the Palestinian territories reached 4,281, most of which belong to the private sector (75.6%). Private sector activities are concentrated in therapeutic medicine, with most private sector establishments either general or specialized outpatient clinics or dentist's offices, in addition to specialized hospitals and medical support services. On the other hand, public health services are concentrated in primary healthcare, preventive medicine and public hospitals. UNRWA and NGOs provide similar healthcare services to those provided by the public sector (see Table 34).

**Table 34: Number of Health Establishments in the Palestinian Territories by Health Sector, 2005<sup>11</sup>**

Type of establishment	Sector				Total
	Private	Public	UNRWA	NGO	
General medical clinic	372	0	0	33	405
Specialized medical clinic	1,273	0	0	15	1,288
Dentist's clinic	1,031	41	35	15	1,122
Health centre	91	413	53	183	740
Rehabilitation's centre	3	0	0	7	10
Radiology centre	25	0	0	0	25
Physical therapy centre	58	0	0	3	61
Medical lab.	262	140	0	1	403
Public Hospital	0	22	1	12	35
Specialized Hospital	25	0	0	11	36
Rehabilitation Hospital	0	0	0	1	1
Maternity Hospital	7	0	0	1	8
Other	91	0	0	53	144
Total	3,238	616	89	338	4,281

Source: PCBS, Survey of Health Service Providers and Beneficiaries, 2005, Press Release: Preliminary Findings, 2006.

<sup>11</sup> Data from the public sector and UNRWA is from 2004

Health establishments differ in terms of size and numbers of beneficiaries. For example, public hospitals contain more than 57% of the number of hospital beds, although they only make up 22 out of the 80 hospitals in the Palestinian territories.

Expenditure on health in 2004 was according to the following table.

**Table 35: Total Expenditure on Health (direct calculation<sup>12</sup>)  
According to Health Provider (in Shekels), 2004**

Sector	Expenditure	Percent(%)
Public	425,504,116	44.6
UNRWA	118,598,047	12.4
Private	120,996,767	12.7
NGOs	288,148,577	30.2
Total	953,247,507	100

Source: PCBS, Survey of Health Service Providers and Beneficiaries-2005, Press Release: Preliminary Findings, 2006

Table 36 shows that the largest proportion of health expenditure comes from the public sector, followed by NGOs. Total expenditure on health reached about US\$221 million in 2004 (calculated according to the direct method). This represents 5.3% of GDP and comes to US\$61 per individual. Health expenditure is borne by various parties, as indicated in Table 36.

**Table 36: Contribution of Various Sectors to Health  
Expenditure in the Palestinian Territories, 2004**

Sector	Percent (%)
Expenditure by the family	24.5
Health Ministry	42.3
UNRWA	11.8
NGOs	21.4
Total	100

Source: PCBS, Survey of Health Service Providers and Beneficiaries-2005, Press Release: Preliminary Findings, 2006

## 18.1 Employment in the Health Sector

The total number of jobs in the health sector in the Palestinian territories reached 26,902,<sup>13</sup> the largest proportion of which were in the public health sector (41%). A large number of employees in the private sector work in part-time jobs, whereas workers in NGOs tend to work longer hours. Using a 35 hour week as a basis for full-time employment, the 7,102 private health sector employees perform the work of 7,341 full-time employees, while the 6,390 NGO healthcare employees perform the work of 7,102 full-time employees. The Ministry of health is the primary health employer as it employs 41% of the sectors' employees, followed by the private sector (27%), NGOs (26%) and UNRWA (6%) (see Table 37).

<sup>12</sup> Expenditures increase if calculated using the indirect method. The direct method is based on revenues and expenses from financial statements provided directly by the establishment.

<sup>13</sup> Many employees work in more than one sector hence they might be counted more than once. The numbers indicate numbers of jobs in these sectors.

**Table 37: Human Resource in Health Institutions According to Health Sector and Specialization: 2005**

Specialization	Sectors				Total
	Public*	UNRWA*	NGOs**	Private**	
General and specialized medicine	2,017	154	1,245	1,931	5,347
Dentists	179	29	179	1,192	1,579
Physical therapists and other specializations	0	0	522	900	1,422
Nurses	3,042	496	1,737	684	5,959
Midwives	222	0	143	83	448
Pharmacists	341	5	107	60	513
Health workers	104	0	0	0	104
Supporting medical professions	1,214	197	664	768	2,843
Administrative and service workers	4,005	871	1,622	1,934	8,432
Other	0	0	171	84	255
<b>Total</b>	<b>11,124</b>	<b>1,752</b>	<b>6,390</b>	<b>7,636</b>	<b>26,902</b>

Source: PCBS, Survey of Health Service Providers and Beneficiaries 2005, Press Release: Preliminary Findings, 2006

\* Public sector and UNRWA data for 2004

\*\* Number of jobs: large numbers work in part-time jobs or overtime work.

## 19. Israeli Measures

### 19.1 Killed and Injured

Israel escalated its anti-Intifada operations during the 4<sup>th</sup> quarter of 2005. It has intensely targeted civilian areas and population clusters using helicopters and artillery, leading to many human and physical losses among Palestinian civilians. Table 38 shows that Israelis have intensified targeted assassinations by means of helicopters in Gaza and conducted a wide array of operations in the West Bank.

**Table 38: Palestinians Killed and Injured During 3rd and 4<sup>th</sup> Quarters of 2005**

Quarter	Number	Of which children	Of which assassinated
Killed			
Q4 2005	77	15	28
Q3 2005	70	22	23
Injured			
Q4 2005	442	147	-
Q3 2005	684	101	-

Source: Gaza Centre for Rights and Law, Monthly Reports of Israeli Violations

Israeli forces continued targeting foreign nationals sympathetic with the Palestinians, leading to the injury of 24 of them. Israelis also continued targeting medical staff, with 13 incidents of aggression against them reported (Gaza Centre for Rights and Law, monthly reports on Israeli Violations, months 10-12/2005).



The number of Palestinians killed in 2005 reached 287, lower than the number in 2004, when Israel stepped up operations against Palestinian resistance leaders (see Table 39). Although Palestinian factions agreed a truce with Israel, Israel continued its aggression against Palestinians, especially in Gaza, leading to many civilian casualties. In fact, 88 Palestinian civilians were killed as a by-product of Israeli targeted assassinations.

**Table 39: Numbers of Martyrs and Injured 2004/2005**

	2004	2005
No. killed	946	287
Of which children	219	81
Of assassinated	111	60
No. injured	6,000	1,664
Of which children	2,000	420

Source: Gaza Centre for Rights and Law, Monthly Reports of Israeli Violations

## 19.2 Movement and Travel Restrictions

Israel continued its policies to obstruct Palestinian freedom of movement during the 4<sup>th</sup> quarter of 2005. It continued isolating the West Bank from the Gaza Strip, as well as isolating Jerusalem from its suburbs and the rest of the Palestinian territories. Israel also continued its checkpoint policy across the Palestinian territories, with both fixed and mobile barriers. Gaza centre for Rights and Law reported 1,450 fixed checkpoints and 870 mobile checkpoints in 2005.

## 19.3 Obstacles to Accessing Health Services

Israeli anti-Intifada measures continued to impede Palestinian families from obtaining health care services in the 4<sup>th</sup> quarter of 2005 by placing roadblocks and checkpoints throughout the West Bank and Gaza Strip. They also indirectly affected Palestinians' ability to access healthcare by means of their negative effect on Palestinian income. Around half of the households interviewed reported that high healthcare costs affected the services received. (see Table 40).

**Table 40: Percentage of Households which faced Obstacles Accessing Healthcare Services According to Region, 3<sup>rd</sup> and 4<sup>th</sup> quarters 2005**

Obstacles Encountered by Palestinian Households in accessing Health service	Palestinian Territories		West Bank		Gaza Strip	
	Q3	Q4	Q3	Q4	Q3	Q4
High Cost	45.4	45.7	44.7	41.7	46.9	53.5
Israeli closures	37.7	37.3	42.0	40.7	28.3	30.6
Israeli roadblocks	34.0	28.3	47.7	42.7	3.4	-
Remoteness of health centres	31.2	25.9	33.8	25.6	25.2	26.4
Inability of medical staff to report to duty	25.8	22.0	25.8	21.1	25.6	23.8
The separation barrier	12.2	6.7	17.7	10.0	-	-

Source; PCBS, The Impact of Israeli Measures on Palestinian Households' Economic Conditions, 14th and 15th cycles, 2005 and 2006.

## 19.4 Palestinian Prisoners in Israeli Jails

A report by the Ministry of Detainees' and Ex-Detainees' Affairs indicated that there were 8,800 Palestinian prisoners - including 350 children and 115 women - in Israeli jails at the end of the 4<sup>th</sup>

quarter of 2005, distributed among 30 prisons and interrogation camps. The report revealed that 555 were imprisoned prior to the Al-Aqsa Intifada, of whom 369 were incarcerated prior to the Oslo Accords. The number of Palestinian female prisoners jailed during the Intifada reached 400, and of the 115 still incarcerated 7 are underage.

Israel jailed 3,500 children during the al-Aqsa Intifada, 350 of whom are still incarcerated. Children represent 4% of total number of Palestinian prisoners in Israeli Jails, and 99% of them were subjected to torture in prison. The Ministry of Detainees' and Ex-Detainees' affairs documented that 40 thousand Palestinians were jailed<sup>14</sup> between the outbreak of the second Intifada and the beginning of 2006. The report also pointed out that Israeli imprisonment of Palestinians was not restricted to a certain class or group of people, but in fact included children, youths, old people, girls, women and even entire families. Israel used many methods to capture Palestinians, including kidnapping them by means of Special Forces dressed in Arab clothing, in addition to capturing them at roadblocks and checkpoints. Israel also continued deporting Palestinian residents from the West Bank to the Gaza Strip and abroad. In 2005 there were 32 cases where Palestinians were deported from the West Bank to the Gaza Strip (Gaza Centre for Rights and Law Annual Report 2006).

### 19.5 The Separation Wall

Construction of the Separation and Annexation Wall continued through the 4<sup>th</sup> quarter of 2005. Construction work was concentrated in the middle region of the West Bank (Jerusalem and Ramallah governorates) and the southern region (Hebron and Bethlehem governorates). The Israeli occupation also completed the wall in the northern West Bank (Salfit). Israel is constructing the wall in the heart of areas occupied in 1967 to include massive settlement blocs in the West Bank. It has caused the isolation of many Palestinian population clusters on the other side of the wall, and separated residents from their land and from various services. Following are the findings of a survey conducted by the PCBS regarding the effects of the wall on households living in its path.<sup>15</sup>

- **Population clusters affected by the wall:** The number of population clusters affected by the wall increased from 76 in 2003 to 101 in 2004 and 194 in 2005.
- **Land confiscation:** The wall led to the partial or complete confiscation of 42.3% of the land owned by Palestinians living in affected areas. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) points out that upon completion of the wall as planned, 571 thousand dunums of land would be trapped between the wall and the Green Line, which equals 10.1% of total West Bank land. Furthermore, the land trapped between the Green Line and the wall is considered the most fertile land in the West Bank and houses over 50 thousand Palestinians distributed over 38 villages and towns (OCHA: The Path of the Wall, Feb. 2005)
- **Education:** Data indicate that 3.2% Palestinians living in affected areas quit school because of difficulties getting to schools and other security concerns. 69% of families who have students at university said that they missed classes over many days. Furthermore, 80% of families indicated that their children often missed school due to the wall.
- **Isolation from health services:** 42% of households indicated that the wall represented an obstacle that prevented them from accessing health services.
- **Economic conditions:** The wall has caused a severe deterioration in the living conditions of families living in its path. The survey indicated a decline in number of households who rely on their own projects (livestock and cultivation). Furthermore, the number of households with a member working in Israel also declined, and more households now live off donations and financial assistance. Regarding economic coping mechanisms, 80% of households indicated having lowered their expenses and 65% postponed bill payments.

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<sup>14</sup> This does not include those stopped and jailed for a few hours or days.

<sup>15</sup> The survey included 2,675 households living in 114 communities affected by the wall.

- **Household needs:** 49% of households living in areas directly affected indicated that their primary need was food, 24% said that money was their top priority, 12% said education and 9% medical treatment. Despite the difficult living conditions of these households, only 10% indicated having received some form of financial assistance during the month of the survey.
- **Social relations:** The social relationships of families living in the pathway of the wall were negatively affected. In fact, 57% of households indicated that their ability to visit relatives was hampered by the wall, 54% said they were not able to participate in cultural and social activities, and 53% indicated that they would refuse to marry a family member to someone on the other side of the wall.

## 20. Security, Justice and Legal Environment

### 20.1 Legislation

The January 2006 elections brought about the second elected Palestinian legislative council in the history of Palestinian parliamentary elections. While previous Monitors discussed laws drafted from July to December 2005, this issue will examine economy-related laws at different legislative stages during the first quarter of 2006, in addition to a comparative analysis of the performance of the PLC in 2004 and 2005.

The 1<sup>st</sup> quarter of 2006 was a slow period for the PLC in terms of law adoption, witnessing instead the preparation of parliamentary committees and the organization of various political parties within the PLC, and then the re-election of new PLC members. Another factor which contributed to the relatively low enactment of economic laws is the fact that many PLC members ran for re-election and were busy organizing their campaigns. During the first three months of 2006 only one economy-related law was adopted, which was the Federation of Industries and Specialized Industrial Unions Law. This bill became law four days before the elections. The PLC also signed the amendment to the Budget Organization law after three readings. The main amendment to the law was an extension of the disbursement period up to six months from the beginning of the year instead of three months.

The previous PLC submitted three laws to the President of the Palestinian National authority for approval, two of which were related to economic issues. These were the Industrial Chambers of Commerce laws, the amendment to the Retirement law, and the Supreme Constitutional Court law. The latter is expected to handle disputes that may arise between the three authorities concerning interpretation of the law. The PLC accepted (in general debate) the amendment to the Investment Promotion law after it was submitted to the specialized committee in the previous quarter (see Table 41).

Comparing the performance of the PLC in 2004 to 2005 shows that 2004 was busier, with 15 economic and financial related laws adopted compared to 9 laws in 2005. Five out of the 15 laws approved in 2004 were amendments based on modifications introduced into the basic law specifically after the unification of ministries and the creation of the prime minister's position. To date, the president has not signed the Public Debt and Provisions laws, which were submitted to him in 2005.

Three laws were approved in the general discussion in 2004 but further actions were not taken on them, while five laws were approved in the general discussion in 2005.

**Table 41: Economic Legislation at Different Stages of the Legislative Process**

Law	Date
<b>Laws approved by the PLC and signed by the President</b>	
Federation of Industries and Specialized Industrial Unions Law	2006/1/21
Amendment to Budget Organization Law	2006/4/20
<b>Laws adopted by the PLC and still awaiting signature by the President</b>	
Amendment to Retirement Law	2006/1/2
Chambers of Commerce, Industry and Agriculture Law	2006/1/15
Supreme Constitutional Court Law	2006/2/14
<b>Draft Laws adopted in general discussions</b>	
Amendment of Investment Promotion Law No.1, 1988	2006/1/8

Source: PLC

## 20.2 Rule of Law

As a result of the Palestinian Authority's inability to control arms in the Palestinian territories and the failure of the security forces to act, unauthorized use of firearms intensified in 2005 and many took the law into their own hands, which led to many civilian casualties. In fact, 122 people were shot dead, 438 were injured by firearms, there were 35 attacks on public institutions, 39 attacks on NGOs and 33 reported cases of kidnapping of Palestinian and foreigners in 2005.

### **Israeli Violations from the Beginning of the Intifada until the End of 2005**

- The total number of damaged public buildings and security establishments reached 645, and the number of houses that were partially or completely damaged reached 7,628 (4,785 of which were in the Gaza Strip) by end of 2005.
- A total of 12 schools and universities were closed by military orders, while the education process was interrupted in 1,125 schools and higher education institutes. Moreover, 316 Ministry of Education institutions (schools, directorates, offices and universities) were hit by Israeli forces and 43 schools were turned into military barracks. 844 students and teachers were killed by Israelis, while 4,809 were severely injured.
- A total of 76,867 dunums of land were bulldozed, 1,355,290 trees were uprooted, 770 agricultural storage houses were demolished, 756 chicken farms were destroyed, 14,749 goats and sheep were killed, 12,132 cows were killed and 15,265 beehives were destroyed. Furthermore 403 wells were destroyed, 207 farmers' houses were demolished, 16,195 farmers were directly affected by aggressive Israeli action and 16 agricultural nurseries were bulldozed.
- There were 753 assaults against journalists reported, residential areas were shelled 33,153 times, and Israel placed 3,817 checkpoints since October 2000.
- The total area of land confiscated for the construction of the separation barrier since 29/3/2003 reached 243,866 dunums, and 417 industrial establishments were damaged.

*Report by the National Information Center, PNA*

## 21. Living Conditions

The survey of the impact of Israeli measures on economic and social conditions in the Palestinian territories indicated a continuation of Palestinian households' bad economic conditions during the 4<sup>th</sup> quarter of 2005. More than half of households lost most of their income during the Al-Aqsa Intifada (45.6% in the West Bank and 64.0% in the Gaza Strip). In comparison, during the 3<sup>rd</sup> quarter of 2005, 57.4% of Palestinian households indicated having lost more than half of their income. The situation was worse in the Gaza Strip, where 58.3% indicated having lost more than half of their income compared to 57.0% of West Bankers<sup>16</sup>. 47.8% of Palestinian households indicated having reduced expenditure during 2005, especially on food and clothes. Table 42 shows that Gazan households were worse affected than West Bank families.<sup>17</sup>

**Table 42: Palestinian Households which Reduced Expenditure on Basic Necessities 2005**

	Palestinian Territories	West Bank	Gaza Strip
Percentage of households which reduced basic expenditure	47.8	45.6	52.2
Of those, the percentage which decreased their expenditure on:			
Clothes	93.6	76.2	89.0
Food	80.9	85.3	91.0
Housing	77.4	76.6	78.9
Health	59.8	54.0	69.9
Education	50.8	44.6	61.4

Source: PCBS, Survey of the Impact of Israeli Measures on Economic Conditions of Palestinian Households, 2006.

93.1% of households who reduced their consumption of food indicated having reduced the quality of food as well (91.0% in the West Bank and 96.2% in the Gaza Strip). Furthermore, 76.2% of Palestinian households indicated having reduced the quantity of food consumed (70.5% in the West Bank and 84.6% in the Gaza Strip).

Table 43 shows the proportion of households during the 4<sup>th</sup> quarter of 2005 which said they were able to cope economically for more than one year. The data show a relative improvement in the West Bank in comparison to the Gaza Strip. The percentage of households unable to provide for their families remained unchanged in the fourth quarter of 2005.

**Table 43: Households that can Cope Economically for One More Year, and Households Suffering from Hardship Conditions, 3<sup>rd</sup> and 4<sup>th</sup> Quarters of 2005**

Region	Q3 2005	Q4 2005
<b>Percentage of households that can cope financially for over one year:</b>		
Palestinian Territories	24.0	29.5
West Bank	17.6	24.6
Gaza Strip	37.8	39.2
<b>Percentage of households that do not know how to meet their basic needs:</b>		
Palestinian Territories	14.5	14.2
West Bank	16.2	15.7
Gaza Strip	10.9	11.3

Source: PCBS, Survey of the Impact of Israeli Measures on Economic Conditions of Palestinian Households, 2005.

<sup>16</sup> The situation in the Gaza Strip deteriorated due to the continuing siege imposed by the Israeli authorities since the 3<sup>rd</sup> quarter 2005 and the closure of its border crossings.

<sup>17</sup> Data on households who reduced their income are collected on a quarterly basis using the following question: "Has the household reduce its expenditure on basic necessities during the past year?"

Palestinian households relied mainly (87.9%) on their monthly income to cope with the hard economic conditions. In addition, 63.5% relied on postponing payment of bills, 48.0% reduced expenditure, 48.8% borrowed from friends and family, 24.3% sold jewellery and 17.8% relied on personal savings.

## 21.1 Limited Improvement in Living Conditions of Palestinian Households in 2005

Table 44 shows a slight improvement in the living conditions of Palestinian households, as the percentage of families who lost most of their income and those who reduced consumption on basic necessities declined. Moreover, the percentage of households suffering hardship also declined, while the percentage of households who could cope for over a year increased.

**Table 44: Change in Specific Living Conditions Indicators 2004-2005**

	End of 2004	End of 2005
Percentage of households that lost most of their income	55.3	51.6
Percentage of households that reduced expenditure on basic needs	58.2	47.8
Percentage of households that can cope economically for over a year	22.2	29.5
Percentage of households that cannot satisfy their basic needs	15.1	14.2

Source: PCBS, Survey of the Impact of Israeli Measures on Economic Conditions of Palestinian Households, rounds 11 and 15, 2004, 2005.

## 21.2 Social Assistance

Data indicated a decline in the percentage of Palestinian households which received assistance during the 4<sup>th</sup> quarter of 2005 in comparison to the 3<sup>rd</sup> quarter of the year (27.0% in the 4<sup>th</sup> quarter compared to 28.2% in the 3<sup>rd</sup> quarter). Table 45 shows that the decline in households receiving assistance was greater in the West Bank than in the Gaza Strip. At the same time, 67.0% of households indicated needing substantial assistance, which shows that not all those which need assistance are receiving it.

**Table 45: Percentage of Palestinian Households which Received Assistance, by Region, 3<sup>rd</sup> and 4<sup>th</sup> Quarters 2005**

Quarter	Region		
	Palestinian Territories	West Bank	Gaza Strip
3rd	28.2	16.1	55.2
4th	27.2	13.2	54.7

Source: PCBS, Survey of the Impact of Israeli Measures on Economic Conditions of Palestinian Households, rounds 14 and 15, 2005

The median value of financial assistance was US\$104, while the median value of food assistance was US\$40. This compares to a median value of financial assistance of US\$87 and US\$38 for food assistance in the 3<sup>rd</sup> quarter. The proportion of households which received assistance to the value of US\$100 or more was 17.0% of the number of households which received assistance in 4<sup>th</sup> quarter of 2005, an increase of 16.7% over the value for the 3<sup>rd</sup> quarter of the year. The percentage of households which received assistance to the value of US\$50 or less declined from 66.3% in the 3<sup>rd</sup> quarter of 2005 to 55.4% in the 4<sup>th</sup> quarter of the year.

The proportion of food assistance of total assistance increased during the 4<sup>th</sup> quarter of 2005. Food represented 65.1% of the total assistance in the 4<sup>th</sup> quarter of 2005 compared to 61.2% in the 3<sup>rd</sup> quarter. Financial assistance also increased from 18.0% in the third quarter to 24.2% in the fourth quarter, while assistance in terms of employment and health insurance declined during the period. In the Gaza Strip, 70.4% of assistance was in the form of food compared to 14.0% as financial assistance, while in the West Bank 38.7% was financial and 50.9% was food assistance. In general, 85.1% of recipients in the Palestinian territories were satisfied with the assistance.

PNA institutions not including the Ministry of Social Affairs provided a median assistance value of US\$120, followed by family (US\$104), Political parties (US\$61), the Ministry of Social Affairs (US\$50), UNRWA (US\$42), Al Zakat committees (US\$31), charitable organizations (US\$27) and neighbours and friends (US\$21).

The percentage of households that indicated not needing any form of assistance remained unchanged between the 3<sup>rd</sup> and 4<sup>th</sup> quarters, while the proportion who received assistance increased. The median value of in-kind assistance increased from US\$22 in 2004 to US\$42 in 2005, while the median value of financial handouts increased from US\$67 to US\$104 during the same period (see Table 46).

**Table 46: Selected Indicators of Assistance to Palestinian Households, 2004-2005**

	End of 2004	End of 2005
Percentage of households that need assistance	67.5	67.0
Percentage of households that received assistance	22.0	27.2
Percentage of food assistance to total assistance	56.1	65.1
Median value of financial assistance	\$67	\$104
Median value of food and in-kind assistance	\$22	\$42

Source: PCBS, the Impact of Israeli Measures on Economic Conditions of Palestinian Households, rounds 11 and 15, 2004-2006.

### 21.3 Palestinian Household Needs

Food still took first place among the needs of Palestinian households in the 4<sup>th</sup> quarter of 2005, although the proportion fell from the previous quarter. 37.1% of households in the Palestinian territories indicated most being in need of food compared to 45.3% in the 3<sup>rd</sup> quarter of the year. On the other hand, the percentage of households who indicated most needing money increased from 19.1% in the 3<sup>rd</sup> quarter to 20.2% in the 4<sup>th</sup> quarter of the year. Households indicating most being in need of work increased from 15.2% to 21.3% during the same period. The percentage of households who indicated that housing and medicine were their priorities remained low (5.4% and 5.2%, respectively).

The data show differences between the West Bank and Gaza Strip regarding household priorities. In the West Bank, 40.6% of needy households ranked food in the first place, 22.3% of them voiced their need for money while 16.7% indicated needing work. In the Gaza Strip, 30.6% most needed food, 29.8% most needed work and 16.3% most needed money.