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Palestine Economic Policy Research Institute (MAS)

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FOREWORD

This issue of the Monitor presents an account of the economic and social development in the West Bank and Gaza Strip during 2007, with particular emphasis on the third and fourth quarters. It also contains several economic surveys published by the Palestinian Central Bureau of Statistics in 2006 that pertain to the Palestinian industrial, construction, services, internal trade, transportation and storage, and communications sectors.

This issue also contains a new section that aims to address an issue of the utmost importance: the gender gap in the political, economic and social spheres of Palestinian society. We are motivated by a deep-seated belief that the fundamental challenges of national liberation, and economic and social development currently facing Palestinian society cannot be adequately met without a genuine and serious effort to empower Palestinian women and ensure gender equality and equal rights in all areas of society. Henceforth, the *Quarterly Economic and Social Monitor* will scrutinise the characteristics of the gender gap that exists in the areas of education services, participation in public life, decision-making, and the labour market.

In this issue, we have continued with our efforts to make each issue of *The Monitor* a stand-alone reference of the developments that took place during the quarter within the contexts of the year's developments, and of historical general conditions. (This aim was first implemented in volume 9.)

We would like to take this opportunity to reaffirm our commitment to communicate with our readers, and be guided by their feedback on how best to develop the Monitor. We would also like to thank the research teams in the three institutions that collaborated in the production of this issue.

Mohamed Nasr	Luay Shabaneh	Jihad Al-Wazir
Director General	*President*	*Governor*
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Definitions and Terminology

Average Wage Employee remuneration ÷ number of waged employees

Consumer Price Index (CPI)
A statistical tool to measure changes in the prices of goods and services between two periods.

Crude Divorce Rate The number of divorce cases per 1,000 population at the midpoint of the year

Crude Marriage Rate The number of marriages per 1,000 population at the midpoint of the year

Dependency Ratio The number of dependents, including children below 15 years old and old people above 65, per 100 of the working age population (15-65).

Gross National Disposable Income (GNDI)
Total value of income accrued by residents that is available for spending on goods and services, or for saving. It equals GNI plus net current inflows from abroad.

Drop out Ratio Total number of pupils who left school during the academic year, divided by total number of all pupils enrolled in basic and secondary education.

Dwelling Density Number of persons per room in a house.

Employment The number of working people in the labour force, including employers, paid workers and self-employed persons, as well as to unpaid workers who are members of the employed person's family.

Enrolment Rates Total number of pupils enrolled at educational institutions, divided by total number of young people of school age.

Family One or more persons who are bound or unbound by kinship, living usually in one house or part of a house, who share food, and have common living arrangements.

Gross Domestic Product (GDP) The total value of goods and services produced during the year.

Gross National Income (GNI) The total value of incomes accrued by residents of the Palestinian Territories.

Household Expenditure
Includes expenditure of the household on essential goods and services, and the value of goods and services the household receives from their employer(s), and specified by consumption per household, the cash spent on charges, fees, taxes and religious taxes, grants, presents, interest on loans, and other non consumable items.

Household Consumption The sum of money spent purchasing goods and services, the value of goods and services the household receives from their employer(s), the goods consumed of / by household production, and the imputed value of rent of owned dwelling unit.

Infant Mortality Rate The death rate (below one year of age) per 1,000 births.

Labour Force All persons of working age, both employed or unemployed.

Manpower All persons in the West Bank and Gaza Strip who are 15 years of age and above.

Median Age The midpoint of the sum total of ages of an entire studied community or group. A median is described as the number separating the higher half of a sample, a population, or a probability distribution, from the lower half. The *median* of a finite list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle one.

Remaining West Bank The West Bank excluding those parts Israel annexed by force after the 1967 occupation. This term was invented for statistical purposes because of the difficulties in gathering information on East Jerusalem due to Israeli roadblocks and other restrictions.

Total Fertility Rate The average number of live births per woman.

Unemployment Rate Includes those persons of working age who were ready for work during the reference period and actively searched for employment, but who did not work at all.

INTRODUCTION

The West Bank and Gaza Strip witnessed crucially important political and economic developments in 2007. In the first half of the year, severe economic hardship resulted from (a) the international sanctions imposed upon the Palestinian National Authority (PNA), (b) the Hamas takeover of Gaza after it won legislative elections, and (c) continued Israeli human rights abuses and oppression. During the second half of 2007, Palestine became politically divided, and two governments were formed: one in the West Bank, the other in the Gaza Strip. This was followed by a negligible easing of the economic situation of the West Bank after international sanctions were lifted from the PNA. The situation in the Gaza Strip, however, became dire after Israeli authorities completely closed it from the outside world, limited the flow of imports / exports to only the most basic and essential goods, and drastically reduced the number of people allowed out.

2007 ended with humanitarian disaster looming over the Gaza Strip, and great uncertainty about the future of the Palestinian cause.

The rift in Palestinian society urgently needs to be healed. National unity and the salvation of the national cause can only be achieved by a strong government with a comprehensive national strategy to rehabilitate and ensure the sustainability of the Palestinian economy in order for it to be able to support the Palestinian people's struggle for liberation.

EXECUTIVE SUMMARY

National Accounts: Estimates put the 2007 Gross Domestic Product (GDP) at US$4.2 billion, a 2.3% increase from the previous year. However GDP per capita declined by approximately 1% owing to greater population growth. Services' share of GDP, mainly public administration, defense and trade, increased at the expense of productive sectors like industry, agriculture and construction.

Labor Market: Participation in the labor force increased to 42.7% in the third quarter 2007. There was a decrease in male participation in the first three quarters 2007 while female participation rose over the period. Unemployment reached 23.2%, with a highest rate among the 15 – 24 age group. Daily wages dropped in the West Bank and Gaza Strip in the first three quarters 2007, while daily wages for paid labor in Israel and settlements increased. In the third and fourth quarters 2007, about 97% of vacancies published in newspapers ads were for private sector and NGO positions.

Banking Sector: The number of banks operating in the Palestinian Territory did not change in 2007, while the number of branches increased to 159. Bank assets rose by 8.4% in the third quarter 2007 in comparison with the second quarter of the same year. Total credit facilities granted decreased by 3.7%. Capital invested outside the Palestinian Territory increased by US$ 320.83 million in the third quarter 2007 to US$ 3,015.2 million. Total deposits in Palestinian Territory banks increased by 8.8% in the third quarter 2007. The clearance house of the Palestinian Monetary Authority (PMA) was particularly active in the third quarter 2007, showing an increase of 9.3% in the number of checks cleared, while the total value of these checks rose by 13.5%.

Exchange Rate: Exchange rates of the Jordanian Dinar and US Dollar dropped by 8% and 4.5% respectively against the Israeli Shekel in 2007. The Shekel fluctuated against the Euro through 2007 but ended the year down by 2%.

Stock Market: Trading fell by 22.9% in 2007 against 2006. In the same period, the market value dropped by 9.2% and the Al-Quds (Jerusalem) Index fell by 16.6%.

Prices and Purchasing Power: Prices soared in several phases as a result of increases in the price of basic goods. CPI increased by 6.68% in the year to end 2007. The average of 2007 CPI against the 2006 average was up 2.69%. Price increases were higher in the Gaza Strip than in the West Bank. The purchasing power of the Jordanian Dinar and US Dollar also fell by 10.3% and 10.4% respectively.

Tourism: The number of hotels operating in the Palestinian Territory increased by 3.9% during the third quarter 2007. The number of hotel workers rose by 1.3% in the third quarter. The number of hotel customers increased by 35.8% in the second quarter 2007, and the room occupancy rate increased by 26.2% in the same quarter.

Infrastructure: The number of licenses issued in the third quarter 2007 was up 2.2% to against the same quarter 2006. The quantity of cement imported dropped by 14.4% in the same timeframe. The number of companies registered in 2007 rose by 74% to 1,109 in comparison to 2006.

Business Expectations: 33% of business owners and managers expected their general performance to improve in the six months from October 2007, while 35.7% expected an increase in output. 21.3% expected to increase the number of people they employ in the six month period.

Economic Survey 2006 - Sectoral Breakdown

Construction: The value-added of this sector decreased in 2006 by 0.9% to US$ 135.7 million in comparison with the year before. The number of workers and companies in the sector fell to 3909 and 460 respectively. Labor productivity in the sector increased by 38%, while capital formation fell by 14.8%.

Transportation, storage and telecommunication: The formal sector showed a rise in most indices during 2006, with an increase in value added to US$ 245.2 million, labor productivity to US$ 39,293.6 per worker and the number of workers increased to 6239. However, the number of companies fell to 598. The informal transport sector also showed marked improvement in 2006, with an increase in the value added and labor productivity.

The Industrial Sector: The number of industrial establishments and the number of workers fell by 7% and 14.2% respectively during 2006. Meanwhile, there were increases in value added (10%), productivity (28%) and capital formation (23.9%) in 2006.

Domestic Trade: During 2006 this sector witnessed a decrease in the number of operational companies (3.6%) and workers (9.1%). Meanwhile, there was a rise in value added (10%) and productivity (21%).

Service sector: The value added of this sector rose by 12% during 2006 to US$ 331.8 million. The number of operating institutions dropped by 4.7% to 15,645 and the number of workers decreased by 3% to 53,754. Labor productivity increased by 15.5% to US$ 4906 per worker.

Standards of living: Poverty rates in the Palestinian Territory soared in 2007: 56.8% of Palestinian households now live below the poverty line. Meanwhile, there was a rise in the rate of individuals thinking of emigrating in 2007, as 45% of young men and 18% of women aged 15 – 29 now consider emigrating.

Education: The number of schools in the Palestinian Territory increased by 3% in 2007 to 2415 schools. Gross enrollment in 2007/2008 increased by 2%, compared to the previous academic year, to 1,104,208 students. 2007 saw a 5.1% increase in the number of staff employed in schools, to 56,961.

The Gender Gap: The gap between men and women in the field of education has narrowed in recent years. The illiteracy rate amongst women fell from 23% to 10.2% from 1995 to 2006. The percentage of women aged 15 and over holding a Bachelor's degree or higher increased from 3.8% in 2000 to 6.2% in 2006. In the academic year 2006/2007, 90% of those girls eligible to attend the mandatory first 10 years of education did so, against 88.6% of boys. The gender gap also narrowed in contribution to public institutions, as the percentage of female decision makers in local administrative councils was 17% in 2006, up from 5.7% in 1996.

Rule of Law: Internal violence increased severely in the Gaza Strip in 2007, causing 427 fatalities over the year. As a result of Israeli aggression in 2007, 429 were killed. The number of people arrested in 2007 was 7,612.

1. The Monitor Outlook

2007 was harsh on the Palestinian people in the West Bank and Gaza Strip. It started with a wave of optimism as Fateh and Hamas agreed in the Mecca Conference to form a national unity government that should work to end the international sanctions imposed upon the PNA, end security unrest and lawlessness, and raise to the challenge of ensuring the sustainability of the Palestinian economy to enable Palestinians to resist the Israeli occupation.

The national unity government was destroyed three months after its formation, and an unprecedented situation emerged in which two separate governments existed simultaneously in the West Bank and the Gaza Strip. The PNA government in the West Bank, which is headed by Dr. Salam Fayyad, enjoys the support of the USA and the international community, and negotiates with Israel about the final status agreement. The Hamas government in the Gaza Strip is under sanctions imposed by the USA and the international community, and is considered a "hostile entity" by Israel.

On November 27, 2007, an international meeting was convened by the USA in Annapolis/Maryland to reactivate the Palestinian-Israeli peace process. The meeting was attended by 40 countries and organizations, including Israel, the PNA, the five permanent members of the UN Security Council, Saudi Arabia, the Arab countries neighboring Israel, representatives of the Arab League, the Arab Gulf States, the Organization of the Islamic Conference, and representatives of the UN. Hamas was not represented. For two days, diplomats denounced terror and violence, and reiterated the commitment of their countries or organizations to find a solution to the Arab-Israeli conflict through negotiations. The meeting did not however establish any new direction or strategy. The only outcome was a call for Palestinians and Israelis to immediately resume the negotiations that were halted in early 2001.

Two weeks before the end of 2007, a donor conference was held in Paris. Representatives of 70 countries and international organizations attended, and the PNA submitted a Palestinian Reform and Development Plan 2008-2010 (details of which follow hereafter) that included a comprehensive plan to achieve the following goals in three years:

- A Palestinian development plan with Palestinian-determined priorities dependent on funding from donor countries.
- Legislative reforms aimed at enhancing good governance, and revolutionizing financial policy.
- The linkage of reconstruction and development policies with the government budget.

The plan encompasses two strategies: The first aims to promote economic recovery, and support the government budget. It endorses rationalisation and validation of public expenditure in order to reduce the level of spending on employee salaries. It also aims to cut security expenditure from its current level of 27% of GDP to 22% by the year 2010. The second aims to repair and revitalise Palestinian infrastructure, a task requiring expenditure of $1.6 billion over three years ($427 million in 2008, $550 million in 2009, and $667 million in 2010). The World Bank and other representatives embraced the plan. The Conference ended with donor countries pledging to provide $7.6 billion to the PNA over the following three years. This sum exceeded the amount the PNA requested by $2 billion.

It is important to note that the USA's efforts to reactivate the peace process coincided with a huge escalation of Israeli military oppression. This overwhelmingly contradicts the message of peace put forward by the USA and the international community. Statistics published by the Ministry of Prisoners and Released Affairs (MPRA) indicate that the numbers of arrests in 2007 increased by 34.2% compared to 2006. Targeted assassinations and bombardment from air and sea continued in cities, villages and refugees camps. A report by the Israeli Information Centre for Human Rights in the Occupied Territories, BetSelem, states that 820 Palestinians were killed in the Gaza Strip in the past two years, of whom 360 were civilians; including 152 minors, 45 of whom were under 14 years of age[1]. Furthermore, the number of incursions, and permanent and temporary checkpoints,

1 See Haaretz, issue of 14 January, 2008.

barriers and obstacles that hamper the movement of people and goods has increased. In addition to this, the construction of the apartheid barrier, and the cantonisation of the West Bank has continued. During the Annapolis Meeting, Israel announced plans to build 300 new housing units in the settlement on Abu Ghoniem Mountain in Jerusalem. (Incidentally, Israel started to build this settlement a few weeks after the signing ceremony of the Oslo Accords in September 1993. This construction was a crucial factor in the collapse of those Accords.)

While Israel continues to implement oppressive and illegal policies that the international community continually fails to condemn, the Palestinian situation continues to deteriorate and become more miserable and fragmented. The continuing conflict between Fateh and Hamas has led to the following:

- Enhancement of the Israeli-imposed geographical divide between the West Bank and Gaza Strip.
- The Fateh / Hamas conflict taking precedence over the Palestinian / Israeli conflict.

It is clear that the continuation of this situation will lead to the complete failure of the Palestinian national cause. Palestinians in the Territories and the Diaspora live in a state of perpetual anxiety and disappointment in their political leadership. The majority of them are unable to understand the justifications of a struggle over a façade of authority, when all real authority remains in the hands of Israel. Israel is perpetrating torture, violence, assassination, siege and closure against Palestinians, while it continues to expand settlements and construct the separation wall.

Naturally, these factors have a negative impact on economic activities in the PT. GDP per capita in 2007 was 60% lower than in 1999, and it declined by 4.8% during 2007 as compared to 2006. In addition to this, unemployment was above 23% in the last two years, equivalent to twice its 1999 level. The continuous deteriorations in the economic situation have led to the increased prevalence of poverty: some estimates indicate that more than 60% of the population now lives below the poverty line.

Generally speaking, it can be said that the Palestinian economy in the West Bank and Gaza Strip in 2007 was under siege. It was exhausted by Israeli oppression, and tormented by political struggle and internal fighting. In the middle of 2007, economic conditions started to differ between the West Bank and the Gaza Strip due to the fact that international sanctions were lifted from the West Bank whilst becoming more stringent in the Gaza Strip. As the degree of investment risk climbed to unprecedented limits, the private sector continued to suffer as several industries relocated to neighbouring countries. Several businesses transformed themselves from manufacturers to commercial importers as a result of the dumping of cheap Asian products into the Palestinian market. Viewing these factors together, we can understand that we are facing a severe threat to the Palestinian production base.

It is obvious that to stop this deterioration in the short term, the public sector must undertake unprecedented measures and inject the economy with large doses of investment in order to at least partially restore the health of wealth generating economic activities, and reduce the degree of investment risk. It needs to continue to do this until the private sector regains some of its lost confidence.

In the long term, the economic situation cannot substantially improve without a radical change of the political situation. This change must involve an end to the Israeli occupation, and the establishment of an independent Palestinian state in accordance with UN resolutions. It is also essential to quickly end the existence of two governments so that the Palestinian National Authority (PNA) can implement an economic salvation program with the following priorities:

- A study of every dimension of the PNA's economic experience since 1994, with conclusions that can assist in the formation of a realistic new national development project.
- Confrontation of the problems of poverty and unemployment with projects that are integrally linked to the priorities of the national development project.
- Openness to Arab and foreign markets, and the gradual reduction of the current total dependence on the Israeli market.

2. Economic Activities

While the economy of the wider Arab region boomed due to a huge increase of oil revenues (the UNESCWA registered the highest growth rates in the world in the last three years[2]), the economy of the PT continued to deteriorate. The last three years were characterized by recession and reduction in economic activity, which came as a natural result of Israeli oppression, deterioration of security conditions, and the political divide. It is natural that this continued deterioration led to a severe decline in the average quality of life as compared to that of neighboring countries.

Table 1: Percentage of Palestinian GNI per Capita compared to its 1999 Level*

Percentage (%)	Year
74	2002
73	2003
75	2004
78	2005
65	2006
63	2007

* GNI per capita for 1999 was US$ 1716.

Table 1 illustrates the serious decline of the Palestinian GNI per capita (GNI/Capita) over the past six years. Comparing this data to GNI per capita in 1999, we find that during the first two years of the *Al-Aqsa Intifada*, GNI/Capita dropped by more than a quarter. It began to recover part of that loss in the third year, and continued to recover until the end of 2005. It began to recede again at the beginning of 2006 and continued to recede, until, at the end of 2007 it stood at less than 60% of its 1999 level. When we calculate the ratio of the Palestinian GNI/Capita to the income per capita of four neighboring countries, we can see that in 1995 it was less than the GNI/Capita of Israel, almost equal to the GNI/Capita of Jordan, and higher than the GNI/Capita of Egypt and Syria. In 2006, the Palestinian GNI/Capita was less than the GNI/Capita of all four of those countries. While in 1995, Palestinian GNI/Capita was almost equal to the GNI/Capita of Jordan, by 2006 it had deteriorated to less than half of the Jordanian per capita income.

Table 2: The Ratio of the Palestinian per Capita Income to the per Capita Income of Neighboring Countries

Country	1995 [(a)]	2006 [(b)]
Egypt	1.68	0.91
Jordan	0.96	0.46
Syria	1.84	0.78
Israel	0.11	0.06

Sources: (a) UNCTAD/GDS/SEU published on June 30, 1998.
(b) The World Bank's statistics.

Political and economic developments have continually affected the Palestinian situation since the establishment of the PNA in 1994. The main challenge faced by the PNA upon its establishment in 1994 was the economic heritage of the Israeli occupation: Israel controlled most of Palestine's natural resources (including land and water); the Palestinian economy was completely dependent on foreign sources of income (i.e. workers incomes from Israel and the settlements, and workers' remittances from Arab Gulf countries); there was a substantial decline in the contribution of agriculture and industry to the GDP; Palestine was completely dependent on Israel with regards to exports and imports; and there were low levels of investment and social services.

2 The ESCWA region includes Palestine, Jordan, Syria, Lebanon, Iraq, Egypt, the Kingdom of Saudi Arabia, Bahrain, Yemen, United Arab Emirates, Qatar, Kuwait and Oman. The region registered an average growth rate of 6.4% in 2005, and 5.4% in 2006.

Table 3: Economic Growth and Employment

Indicator *	2002	2003	2004	2005	2006	1st Quarter 2007	2nd Quarter 2007	3rd Quarter 2007	2007
GDP in Constant Prices (USD million)	3,838.9	4,165.3	4,247.7	4,502.6	4,107.0	956.8	1,019.5	1,028.2	4,182.7
GDP/Capita (USD)	1,191.3	1,272.3	1,246.2	1,281.6	1,129.2	257.7	272.4	272.4	1,112.8
Average Growth Rate of GDP/Capita	(8.5)	6.8	(2.1)	2.8	(11.9)	**(1.1)	5.7	0.0	(0.9)
Average Unemployment Rate (%)	31.3	25.6	26.8	23.5	23.6	21.6	19.2	23.2	1.5

* GDP and GDP/Capita figures for the years 2002-2006, 2007 and its quarters are preliminary and subject to review and adjustment. They are for the Remaining West Bank and Gaza Strip in constant prices (base year 1997).
** Average growth rate for the 1st quarter of 2007 is relative to the 4th quarter of 2006.
- Figures in parentheses are negative values.

During its limited period of independent governance (1994-2000), the PNA's achievements in relation to the dismantling of the economic heritage of the Israeli occupation were partial and limited. This was mainly due to Israel's non-compliance with its obligations under the Oslo agreement, and to other reasons related to the structure of the PNA; its inability to establish a sustainable and incorruptible bureaucracy, and its failure to implement a comprehensive national program for reconstruction and development.

Nevertheless, the PNA partially succeeded in repairing some important facets of the infrastructure, expanding aspects of the social services, and encouraging the Palestinian Diaspora to invest capital in the Palestinian Territories, especially in the communication, construction, tourism, and services sectors.

Most of these efforts ceased as a result of the Israeli military action and reoccupation of the West Bank that followed the eruption of the *Al-Aqsa Intifada* in late November 2000. The following two years saw severe deterioration in economic activity due to incursions, closures, killings, house and property demolitions, and curfews that lasted for many weeks in the towns of Nablus, Jenin and Tulkarm.

This economic deterioration receded towards the end of 2003, and 2004 and 2005 saw high growth rates (see Table 3). It was expected that this growth would continue until economic activities recovered to their 1999 levels, however 2006 saw a sharp deterioration in the economic situation when Israel refrained from transferring clearance revenues to the PNA (tax and customs revenues that Israel had collected on the behalf of the PNA). As a result, public sector employees were deprived of their salaries for many months. In addition to this, international sanctions prevented banks from transferring funds from Arab and international donors to the Palestinian Ministry of Finance. The GDP per capita declined by 11.9% as compared to its 2005 level. This was just 65% of its 1999 level.

This decline in economic activity, combined with Israel’s refusal to release Palestinian taxes, resulted in the PNA having a massive budget deficit. This rendered the PA unable to pay roughly half of its employees, and forced it to cut down on public spending, and withhold crucial social services. This deterioration was characteristic of economic collapse in countries suffering from conflicts, crises, and long periods of instability. The following are a such characteristics:

- ✧ High and rising unemployment and poverty rates, which greatly endanger the fabric of society. (During the second half of 2007, a sharp rise in the prices of consumer goods threatened to cause stagflation.)
- ✧ Distortions in the economic structure with declining productive sectors (agriculture and industry) unable meet basic needs. The industrial base is transformed to favor low-wage, low-productivity activities.
- ✧ Workers whose jobs were previously formal are forced into casual labor.

- ✧ Established businesses move to neighboring countries and local capital is invested abroad.
- ✧ Income and consumption inequality worsens in favor of the wealthy, and marginalization and exclusion worsens.

These characteristics started to appear to different degrees at the beginning of 2001. They began to disappear in 2004 and 2005 as the economy gained strength, and to quickly reappear again in 2006, especially during the fourth quarter, as the conflict between Fateh and Hamas intensified, magnifying the already unstable conditions caused by the Israeli occupation. At the same time, there was also a general strike by employees of the PNA in protest at the inability of the PNA to pay their salaries. All this led to a huge reduction of economic activity, which continued until mid 2007, after signs of a slight recovery started to appear thanks to the lifting of sanctions on the PNA in the West Bank (sanctions continued in Gaza). Preliminary estimates of the PCBS indicate little improvement in the GDP, which is estimated to have increased from $4.1 billion in 2006 to $4.2 billion in 2007. This increase was less than the increase in population in that year. Therefore, GDP/Capita declined by almost 1.5% (see table 3).[3] These estimates indicate a decrease in levels of unemployment and poverty in the West Bank, and an increase in levels of unemployment and poverty in the Gaza Strip. The private sector in the Gaza Strip is in crisis due to the Israeli siege and international sanctions, which encompass travel, imports of raw materials, and the export of goods produced in the Gaza Strip, in addition to the cutting off of electricity, and the periodic prevention of fuel delivery.

Table 4: Main Economic Indicators in the Remaining West Bank and the Gaza Strip

Indicator	1999	2002	2003	2004	2005	2006	1st Quarter 2007	2nd Quarter 2007	3rd Quarter 2007
GDP (million $, constant prices) [a]	4,511.7	3,838.9	4,165.3	4,247.7	4,502.6	4,107.0	956.8	1,019.5	1,028.2
GDP per capita ($, constant prices) [a]	1,612.3	1,191.3	1,272.3	1,246.2	1,281.6	1,129.2	257.7	272.4	272.4
Final Consumption Expenditure (million $) [a]	5,327.8	4,960.5	5,376.3	-	-	-	–	–	–
Aggregate Investment (million $) [a]	2,081.2	677.9	1,127.2	-	-	-	–	–	–
Government Expenditure (million $) [a]	1,010.6	1,168.6	1,128.2	-	-	-	–	–	–
Net Commodity Trade Balance (million $)	(2,635)	(1,275)	(1,520)	(2,061)	-	-			
Total Imports (million $)	3,007	1,515	1,800	2,373	-	-			
Total Exports (million $)	372	241	280	313	-	-			
GNI (million $, constant prices) [a]	5,285.6	4,085.6	4,499.1	-	-	-	–	–	–
GNI per capita ($, constant prices) [a]	1,888.9	1,267.8	1,374.3	-	-	-	-	–	–
Employment (thousands)	588.3	487.1	590.7	604	633	666	698	748	720
Total employment in the local economy (thousands)	453.6	436.9	533.4	550	570.3	602.1	630.2	685.2	653.2
Total employment in Israel (thousands)	134.7	50.2	57.3	54	62.6	63.9	68.1	63.7	66.8
Labor force participation rate (%)	41.6	38.1	40.4	40.5	40.7	41.3	41.2	42.4	42.7
Unemployment rate (ILO definition)	11.8	31.3	25.6	26.8	23.5	23.6	21.6	19.2	23.2
Inflation rate (Shekel-based)	5.54	5.7	4.4	3	3.471	3.76	0.36	(0.34)	2.52
Poverty rate (percentage of the population)	21	60	72	61	-	-			
Public revenues (million $)	901.2	335.34	747.69	947.0	1,208.58	352.24			
Public expenditures (million $)	1,194.33	1,249.5	1,513.0	1,764.21	1,924.70	1,727.57			
Surplus/ Deficit before assistance (million $)	(293.12)	(914.16)	(765.31)	(817.21)	(716.12)	(1,375.23)			

3 Preliminary estimates of 2007 were made public by the president of the PCBS in a press conference in Ramallah on 31 January, 2008.

Indicator	1999	2002	2003	2004	2005	2006	1st Quarter 2007	2nd Quarter 2007	3rd Quarter 2007
Surplus/ Deficit after assistance (million $)	(58.12)	(212.16)	(247.31)	(202.21)	(367.59)	(653.52)			
Actual Foreign Disbursed Assistance (million $)	523.9	966.1	1,045.5	925	955	750.3			
Public debt (million $) [(b)]	286.62	950.0	1,552	1,706	1,818	1,824			
Bank Deposits by residents (million $)	2,832	3,430.1	3,624.39	3,957.76	4,190.2	4,202.5			
Credit facilities extended to residents (million $)	1,005.46	950.25	1,065.70	1,420.33	1,910.4	1,903.4			

Note: Numbers in parenthesis are negative.

(a) Data for 2003, 2004, 2005, and 2006 were updated based on the final data update conducted by the Ministry of Finance. Data for 2006 represent public outstanding debt as of the end of the 2nd quarter of 2006.

(b) Data for 2002-2006 and for the quarters of 2007 are preliminary and subject to revision and adjustment and they are for the remaining West Bank and Gaza Strip in constant prices (base year: 1997).

Structural distortions of the economy were seen in the decline of productive sectors such as industry, agriculture and construction, and the rise of service sectors, predominantly public administration, defense and commercial services (see Table 5).

Table 5: The Contribution of Economic Activities to the GDP in the Remaining West Bank and the Gaza Strip, in Constant Prices: 1997 base year (%)

Economic Activity	2003	2004	2005	2006	1st Quarter 2007	2nd Quarter 2007	3rd Quarter 2007
Agriculture and Fishing	10.1	7.5	6.9	8.1	8.2	8.6	7.1
Mining, Manufacturing Industry, Water and Electricity Supplies	11.8	13.2	12.5	12.9	13.1	12.4	12.1
Mining and quarrying	0.4	0.4	0.4	0.4	0.5	0.6	0.5
Manufacturing Industry	9.2	11.2	10.6	10.8	10.9	10.2	10.0
Water and Electric Supplies	2.2	1.6	1.5	1.7	1.7	1.6	1.6
Construction	3.5	2.4	2.7	2.5	2.8	3.0	2.5
Retail and Wholesale	9.1	8.5	8.3	9.3	10.5	10.4	10.3
Transportation, storage and telecom.	9.1	10.5	10.2	11.3	12.6	11.5	12.8
Financial intermediation	3.4	4	4.2	4.5	4.9	4.6	4.6
Services	23.4	24.6	24.4	22.9	20.4	22.6	24.7
Real estate, rental and commercial services activities	11.0	10.1	9.9	10.9	8.0	8.2	9.0
Communal, social, and personal services activities	0.9	1	1.0	1.1	1.1	1.0	1.0
Hotels and restaurants	0.5	1.5	1.5	1.6	1.8	2.2	2.9
Education	8.2	7.6	7.6	6.2	6.4	7.9	8.3
Health and social work	2.8	4.4	4.4	3.1	3.1	3.3	3.5
Public administration and defense	15.5	17.3	17.7	13.5	14.5	14.8	15.3
Domestic services	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Publicly-owned enterprises	2.0	-	-	-	-	-	-
Subtract: financial intermediation (with indirect clearing)	-2.9	-2.9	-3.1	-3.3	-3.6	-3.2	-3.2
Add: Customs fees	3.5	6.5	6.1	6.9	5.9	6.1	6.7
Add: Net VAT on imports	11.3	8.2	9.9	11.2	10.5	9.0	6.9
GDP (%)	100	100	100	100	100	100	100
GDP (million $)	4,165.3	4,247.7	4,502.6	4,107.0	956.8	1,019.5	1,028.2

Source: PCBS, 2007, National Accounts, Ramallah – Palestine.

- Data for 2002-2006 are preliminary and subject to revision and adjustment.
- During 2004 to 2006, companies owned by the public sector were_involved in various economic activities: wholesale and retail commercial trade, commercial renting of real estate, education, hotels and restaurants.

Table 6 presents a detailed picture of the differences in the contributions of different sectors between 2006 and 2007. Some improvement in the performance of the agricultural sector is evident during the first three quarters of 2007 as compared to 2006.

Table 6: The Contribution of Economic Activities to the GDP in the Remaining West Bank and the Gaza Strip by Quarters of 2006-2007, in Constant Prices: 1997 base year, (%)

Economic Activities	2006				2007		
	Q1	Q2	Q3	Q4	Q1*	Q2*	Q3**
Agriculture and Fishing	5.9	7.3	7.0	12.7	8.2	8.6	7.1
Mining, Manufacturing Industry, and Water and Electricity Supplies	11.1	12.3	14.0	14.5	13.1	12.4	12.1
Mining and quarrying	0.4	0.4	0.5	0.5	0.5	0.6	0.5
Manufacturing Industry	9.3	10.3	11.7	12.1	10.9	10.2	10.0
Water and Electric Supplies	1.4	1.6	1.8	1.9	1.7	1.6	1.6
Construction	2.6	2.6	2.6	2.4	2.8	3.0	2.5
Retail and Wholesale	8.7	8.8	10.1	9.7	10.5	10.4	10.3
Transportation, storage and telecom.	11.4	10.7	11.4	12.0	12.6	11.5	12.8
Financial intermediation	4.4	4.3	4.6	4.9	4.9	4.6	4.6
Services	24.2	24.3	22.6	20.2	20.4	22.6	24.7
Real estate, Rental and Commercial Activities	10.2	10.1	11.9	11.5	8.0	8.2	9.0
Communal, social and personal services activities	1.0	1.0	1.0	1.2	1.1	1.0	1.0
Hotels and restaurants	1.6	2.1	1.4	1.4	1.8	2.2	2.9
Education	7.6	7.4	5.6	4.0	6.4	7.9	8.3
Health and social work	3.8	3.7	2.7	2.1	3.1	3.3	3.5
Public administration and defense	15.6	14.2	13.6	10.2	14.5	14.8	15.3
Domestic services	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtract: financial intermediation (with indirect clearing)	-3.2	-3.2	-3.5	-3.7	-3.6	-3.2	-3.2
Add: Customs duties	5.9	6.5	7.5	8.0	5.9	6.1	6.7
Add: Net VAT from imports	13.2	12.0	9.9	8.9	10.5	9.0	6.9
GDP (%)	100	100	100	100	100	100	100
GDP (million $)	1,060.6	1,071.8	1,016.0	958.6	956.8	1,019.5	1,028.2

Source: PCBS, 2007, National Accounts, Press Release on Preliminary Estimations of Quarterly National Accounts (3rd Quarter 2007), Ramallah – Palestine.
- Quarterly data of 2006-2007 are preliminary estimates and subject to revision and adjustment.
* First data revision.
** Preliminary estimates (first edition).

3. The Labor Market

It is well known that the Palestinian labor market has suffered extensively from disparities in supply and demand throughout the years of occupation. The Palestinian labor force has consistently increased at high rates, exceeding the local market's ability to absorb it. During the 1970's and 80's, surplus labor was generally absorbed by the markets of Israel and the Arab Gulf States.

However, in the early 1990s the situation changed drastically; as the Gulf War erupted in 1990, many Palestinians fled Kuwait, returning to the West Bank and Gaza Strip. At the same time, Israel began to reduce employment opportunities for Palestinians in Israel and the settlements.

Between 1994 and 2000, the Palestinian labor market experienced limited recovery as the public sector began to expand and employ some of the unused labor force. Reconstruction projects encouraged the private sector to increase its level of investment and so expand its capacity to employ more workers. Also, in 1998, 1999, and 2000, Israel granted more permits to Palestinians to work inside Israel.

With the eruption of the *Al-Aqsa Intifada*, however, the limited process of labor market adjustment ceased, and the imbalance was exacerbated by the vast decline in economic activity related to sieges, closures, movement restrictions and the construction of the separation wall.

Table 7 illustrates how the average increase in the labor force during the last seven years exceeded the average increase in demand for workers. This indicates that labor force participation declined. It also indicates that the average unemployment rate was rising (average annual increase was 11.4%). The average increase of employment in the public sector surpassed that of the private sector.

The following section elaborates upon the conditions of the labor market before the *Intifada* (the 1st quarter of 2000), and compares it to current conditions (the 1st quarter of 2007), as well as making a comparison between the 1st quarter of 2007 and the 4th quarter of 2006. This comparison allows us to identify short and long-term trends in the labor market.

Table 7: Main Labor Market Indicators: 1999-2006

Indicator	1999	2002	2003	2004	2005	2006
Manpower (thousands, 15 years and over)	1604	1822	1881	1954	2031	2111
Labor force (thousands, employed and unemployed)	667	694	750	790	827	872
Employed (thousands)	588	477	564	578	633	666
▪ employed by the private sector	59%	66.1%	69.6%	68.8%	67.1%	66.7%
▪ employed by the public sector	18%	23.6%	20.7%	22.5%	23.0%	23.7%
▪ employed in Israel and settlements	23%	10.3%	9.7%	8.7%	9.9%	9.6%
Unemployment rate (%)	11.8%	31.3%	25.6%	26.8%	23.5%	23.6%

Source: PCBS, Labor Force Survey, 1999-2006.

3.1 The Labor Force and Labor Force Participation

The labor force participation rate (LFPR, i.e. the sum of employed and unemployed divided by population aged 15 years and above) grew substantially during the early 1990s. After averaging 40% in the 1980s, the LFPR was 44% in 1993, however, the local market's inability to absorb higher numbers of workers caused many to withdraw from the market, leading to a decrease in the LFPR from the mid-1990s onwards. After a slight increase in 2000 as it reached 41.5%, the LFPR dropped again during the *Intifada* period, reaching 38.1% in 2003. The LFPR improved again in 2004 and 2005, and then declined during the first three quarters of 2006. It then increased again during the fourth quarter. This trend continued during the first three quarters of 2007, when it surpassed its 1999 level, i.e. before the *Intifada* (see Table 8).

Table 8: Labor Force Participation Rate in the Palestinian Territories According to Place of Work and Gender: 1999-2007 (%)

Region and Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
Both Genders															
West Bank	43.4	43.6	41.5	40.0	41.8	42.5	42.9	44.1	42.1	43.7	44.6	45.7	42.7	44.8	44.8
Gaza Strip	38.0	37.5	33.3	34.4	37.5	36.4	36.7	36.1	38.2	35.7	35.3	38.0	38.3	38.0	38.9
Palestinian Territories	41.6	41.5	38.7	38.1	40.3	40.4	40.7	41.3	40.8	40.9	41.3	43.0	41.2	42.4	42.7
Males															
West Bank	72.4	73.0	70.5	67.1	68.5	68.7	69.5	69.8	71.5	69.6	71.6	69.7	67.5	69.8	71.1
Gaza Strip	67.4	64.2	59.4	62.2	65.4	63.5	63.9	63.7	66.1	63.9	62.3	64.8	65.4	64.1	66.0
Palestinian Territories	70.7	70.1	66.8	65.4	67.5	66.9	67.6	67.7	69.7	67.6	68.3	68.0	66.7	67.8	69.3
Females															
West Bank	14.1	13.8	12.0	12.4	14.7	15.9	15.8	17.9	12.5	17.2	17.1	21.2	17.5	19.4	17.9
Gaza Strip	8.8	10.6	7.1	6.5	9.2	9.1	9.0	8.1	10.3	7.2	7.8	10.8	10.8	11.5	11.5
Palestinian Territories	12.3	12.7	10.3	10.4	12.8	13.5	13.4	14.5	11.7	13.7	13.9	17.5	15.2	16.6	15.7

Source: PCBS, Labor Force Survey, 1999-2007.

The above-mentioned changes were associated with the following adjustment dynamics:

- ✧ There has been a significant change in factors of gender: although the LFPR for males at the present time is less than its level prior to the *Intifada*, the female LFPR has increased. This is primarily attributed to increasing numbers of women needing to enter the labor market to compensate for the lost income of their male relatives (see table 8).
- ✧ Another change was related to workers' employment status. Table 9 below shows that the percentage of those employed in establishments they owned or part-owned, and which did not employ waged workers, increased substantially. This increase was accompanied by a decrease in the numbers of waged workers.
- ✧ Further changes in the labor market were associated with changing employment opportunities within different economic sectors. A comparison of the contributions of the different economic sectors prior to the *Intifada* with that of the current period shows a large increase in the contribution of the services sector, and a slight increase in that of the agricultural sector. The contribution of the construction sector is almost half of the pre-*Intifada* period, however. Similarly, the contribution of the mining, quarrying and manufacturing industries also declined, especially in the Gaza Strip; in the third quarter of 2007 it was less than half if what it was before the *Intifada* (see Table 10).

Table 9: Percentage Distribution of Employed Persons in the Palestinian Territories According to Employment Status and Region, 1999-2007 (%)

Region and Work Status	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
West Bank															
Establishment owner	6.6	5.1	4.6	4.1	4.1	5.0	5.0	4.7	4.8	4.7	5.0	4.4	3.4	4.2	4.7
Self-employed	18.6	20.6	25.6	27.8	29.3	28.1	27.6	27.0	28.5	28.6	26.7	24.5	26.9	26.3	24.7
Paid worker	66.5	64.7	60.1	57.5	55.3	55.1	56.4	55.7	57.4	56.0	55.9	53.7	59.0	55.6	57.6
Unpaid family member	8.3	9.6	9.7	10.6	11.3	11.8	11.0	12.6	9.3	10.7	12.4	17.4	10.7	13.9	13.0
Gaza Strip															
Establishment owner	2.8	3.3	5.0	2.6	2.2	1.9	2.6	4.2	2.5	3.0	3.7	7.2	4.1	3.4	3.0

Region and Work Status	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
Self-employed	19.1	17.2	19.5	24.3	24.5	22.2	22.4	19.4	21.5	21.0	19.9	15.6	19.9	21.5	20.5
Paid worker	71.1	69.5	67.7	63.6	61.7	66.5	67.1	69.6	71.0	69.8	70.6	67.3	65.8	64.3	64.8
Unpaid family member	7.0	10.0	7.8	9.5	11.6	9.4	7.9	19.8	5.0	6.2	5.8	9.9	10.2	10.8	11.7
Palestinian Territories															
Establishment owner	5.5	4.6	4.7	3.7	3.5	4.1	4.3	4.6	4.2	4.3	4.7	5.2	3.6	4.0	4.2
Self-employed	18.7	19.6	24.0	26.8	27.8	26.5	26.1	25.0	26.6	26.6	25.0	22.2	24.9	25.0	23.5
Paid worker	67.8	66.1	62.1	59.2	57.2	58.3	59.5	59.3	61.1	59.6	59.6	57.2	61.0	58.1	59.6
Unpaid family member	8.0	9.7	9.2	10.3	11.5	11.1	10.1	11.1	8.1	9.5	10.7	15.4	10.5	12.9	12.7

Source: PCBS (2007), Labor Force Survey Database, 1999-2007.

Table 11 shows that some improvement in the distribution of employees started in 2005. It is clear that this improvement was more rapid in the West Bank than in the Gaza Strip. The table also illustrates a relapse in the situation of the Gaza Strip during the first three quarters of 2007 due to the siege and sanctions imposed upon it.

Table 10: Distribution of Employed Persons in the Palestinian Territories According to Region and Economic Activity, 1999-2007 (%)

Economic Activity and Region	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
Palestinian Territories															
Agriculture, Forestry & Fishing	12.6	13.7	11.7	14.9	15.7	15.9	14.6	16.1	13.2	15.2	13.7	21.5	14.7	17.3	15.1
Mining, quarrying and manufacturing Industry	15.5	14.3	13.9	12.9	12.5	12.7	13.0	12.4	11.6	12.3	13.5	12.2	12.5	12.6	12.8
Construction	22.1	19.7	14.5	10.9	13.1	11.7	12.9	11.1	12.2	11.5	11.4	9.5	10.7	11.1	11.6
Services and other sectors	28.1	29.9	34.6	35.7	32.8	34.9	34.4	35.5	36.4	36.1	35.1	34.4	36.7	34.8	35.3
West Bank															
Agriculture, Forestry & Fishing	11.5	12.5	12.1	14.1	14.9	16.9	15.7	17.8	14.3	16.8	15.1	24.1	15.3	19.2	16.1
Mining, quarrying and manufacturing Industry	16.5	15.4	15.5	14.5	14.0	14.0	14.8	14.6	13.2	14.7	16.1	14.2	14.8	14.5	15.4
Construction	23.9	22.2	18.2	12.7	14.3	13.0	14.4	12.9	13.6	13.4	13.7	11.1	12.8	13.1	14.8
Services and other sectors	24.7	25.5	28.0	31.1	29.4	29.5	28.5	29.0	30.9	29.6	28.2	27.7	30.9	29.1	28.6
Gaza Strip															
Agriculture, Forestry & Fishing	15.2	16.5	11.6	16.6	17.4	13.4	11.7	11.1	10.1	10.7	9.2	14.1	13.3	12.7	12.7
Mining, quarrying and manufacturing Industry	13.1	11.5	9.7	8.9	9.2	9.1	8.3	6.3	7.3	5.7	5.7	6.3	7.1	8.0	5.8
Construction	17.8	13.5	4.4	6.3	10.4	8.2	9.3	6.0	8.3	6.1	4.6	4.9	5.6	6.2	3.7
Services and other sectors	36.5	41.0	53.3	47.6	40.9	49.1	49.4	53.7	51.7	54.1	56.3	53.4	50.5	48.9	52.2

Source: PCBS (2007), Labor Force Survey Database, 1999-2007.

Table 11: Distribution of Employment in the Palestinian Territories According to Place of Work, 1999-2007 (%)

Place of Work	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
West Bank	52.9	56.0	61.4	62.7	60.9	64.1	61.7	64.4	63.1	65.1	64.4	64.6	61.2	62.8	62.6
Gaza Strip	24.2	24.4	24.8	27.0	29.4	27.2	28.4	26.0	27.1	26.2	25.1	25.9	29.0	28.7	28.1
Israel & Settlements	22.9	19.6	13.8	10.3	9.7	8.7	9.9	9.6	9.8	8.7	10.5	9.5	9.8	8.5	9.3

Source: PCBS (2007), Labor Force Survey Database, 1999-2007.

3.2 Unemployment

The problem of unemployment started to surface in the early 1990s, reaching 24% in 1996. It worsened during the second *Intifada*, with unemployment increasing to 31.3% in 2002. As a result of improvements in economic activity, it had slightly declined by the end of 2003, and ultimately fell to 23.2% during the third quarter of 2007. Nevertheless, the unemployment rate in this quarter is almost twice the pre-*Intifada* level (1999 (see Table 12).

Table 12: Unemployment Rate for Individuals Aged 15 Years and Over in the Palestinian Territories According to Gender and Region, 1999-2006, (%)

Region and Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
Palestinian Territories															
Males	11.6	14.7	26.9	33.5	26.9	28.1	23.7	24.2	25.6	23.7	24.2	23.5	22.2	19.4	23.4
Females	13.0	12.3	14.0	17.0	18.5	20.1	22.3	20.5	23.5	19.1	24.5	16.2	18.9	18.0	22.1
Total	11.8	14.1	25.2	31.3	25.6	26.8	23.5	23.6	25.3	22.9	24.2	22.0	21.6	19.2	23.2
West Bank															
Males	9.2	12.8	23.3	30.9	25.5	24.3	20.8	18.9	21.5	18.3	18.5	17.4	17.8	16.3	18.6
Females	11.1	9.9	10.9	14.0	15.8	16.6	18.3	17.6	21.0	16.9	21.6	12.5	15.2	14.0	18.6
Total	9.5	12.1	21.5	28.2	23.8	22.9	20.3	18.6	21.4	18.0	19.1	16.2	17.3	15.8	18.6
Gaza Strip															
Males	16.6	19.0	35.3	39.1	29.6	35.9	29.6	35.1	34.0	34.6	36.3	35.6	30.5	25.7	33.1
Females	19.3	18.5	24.2	28.4	26.8	31.6	35.2	32.3	35.1	29.0	36.5	29.8	29.8	30.4	32.1
Total	16.9	18.7	34.2	38.1	29.2	35.4	30.3	34.8	34.1	34.0	36.3	34.8	30.4	26.4	32.9

Source: PCBS, Labor Force Survey, 1999-2007.

The main characteristics of unemployment in the current period:

- The highest rate of unemployment is found amongst the young, particularly those aged 15-24 (see Table 14).
- There is a fundamental difference between male and female unemployment rates, particularly with regards to years of schooling. The unemployment rate for individuals with 13 years or more of schooling was higher for females than males. This difference has actually existed in the Palestinian labor market for a long time, indicating that female labor force participation is increasing at a higher rate than the average increase in the demand for females in the labor market (see Table 15).

Table 13: Total Number of Unemployed from the Total Participants in the Labor Force (15 Years and above) in the Palestinian Territories According to Region, 1999-2007, (%)

Region	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
West Bank	44,000	59364	102465	135292	122924	124418	115417	112,735	122,900	107,600	117,200	103,200	103,800	100,500	118,200
Gaza Strip	35,000	40166	67612	81757	70919	87155	78606	92,837	87,400	89,400	95,200	99,400	88,300	76,900	99,000
Palestinian Territories	79,000	99530	170078	217049	193843	211573	194023	205,572	210,300	197,000	212,400	202,600	192,100	177,400	217,200

Source: PCBS, Labor Force Survey, 1999-2007.

Table 14: Unemployment Rate in the Palestinian Territories According to Gender and Age Groups: 1999-2007, (%)

Age group & Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2006	Q1/ 2007	Q2/ 2007	Q3/ 2007
Both Genders															
15-24	17.3	20.0	35.6	48.2	38.4	39.8	36.4	35.7	39.1	33.7	36.7	33.7	34.6	30.5	38.8
25-34	11.4	14.7	24.9	36.6	24.1	25.1	22.0	23.0	23.9	22.6	23.5	22.0	20.6	18.5	22.1
35-44	9.0	11.0	22.2	37.2	21.6	22.2	18.6	18.7	21.1	18.5	19.3	16.1	16.7	15.0	14.9
45-54	8.8	9.2	18.7	30.5	19.0	22.2	19.1	18.7	19.8	19.4	19.0	16.6	16.6	14.2	17.6
55+	5.9	5.9	12.5	27.7	13.2	15.1	12.1	11.6	11.9	11.3	10.8	12.3	10.3	8.3	11.5
Total	11.8	14.1	25.5	38.0	25.6	26.8	23.5	23.6	25.3	22.9	24.2	22.0	21.6	19.2	23.2
Males															
15-24	16.9	19.6	36.2	47.0	38.3	38.9	34.8	34.4	37.8	33.3	34.1	32.8	33.1	29.5	37.0
25-34	10.5	14.3	26.4	37.4	25.1	26.1	21.3	22.9	23.6	22.5	22.6	23.0	20.6	17.3	21.1
35-44	8.8	12.0	24.7	39.7	23.6	24.4	19.7	20.1	21.9	19.7	20.6	18.3	17.9	16.1	15.8
45-54	9.6	10.5	21.3	32.2	21.3	25.4	21.9	21.5	22.0	22.2	21.7	20.2	18.8	16.9	20.4
55+	6.9	7.3	14.7	30.0	15.5	17.8	14.3	13.8	13.9	13.1	12.7	15.6	18.5	10.6	14.6
Total	11.6	14.4	27.3	39.0	26.9	28.1	23.7	24.2	25.6	23.7	24.2	23.5	22.2	19.4	23.4
Females															
15-24	20.6	22.9	30.7	59.7	39.1	44.8	46.1	43.2	47.9	36.2	52.8	38.0	43.4	35.4	49.6
25-34	16.1	17.1	15.4	28.9	19.4	20.6	25.5	23.1	25.0	22.7	27.7	18.1	20.9	23.1	26.7
35-44	9.8	6.2	7.5	14.1	10.8	11.5	13.2	12.2	16.8	12.4	13.3	8.0	11.6	11.1	10.8
45-54	5.2	2.4	3.7	10.9	6.5	5.0	4.2	5.2	7.5	5.4	5.5	3.3	6.7	2.6	4.0
55+	1.8	0.7	0.6	1.5	1.3	1.2	1.9	1.4	2.6	2.0	–	1.1	0.7	1.3	1.6
Total	13.0	12.3	14.1	28.4	18.6	20.1	22.3	20.5	23.5	19.1	24.5	16.2	18.9	18.0	22.1

Source: PCBS, Labor Force Survey, 1999-2007.

Table 15: Unemployment Rate in the Palestinian Territories by Gender and Years of Schooling, 1999-2007, (%)

Number of school years and Gender	1999	2000	2001	2002	2003	2004	2005	2006	Q1/ 2006	Q2/ 2006	Q3/ 2006	Q4/ 2007	Q1/ 2007	Q2/ 2007	Q3/ 2007
Both Genders															
0	5.4	5.7	12.2	17.4	12.4	14.1	8.0	8.4	21.7	7.4	9.4	6.2	11.2	7.9	7.8
1-6	12.2	16.0	31.1	37.9	28.8	31.3	26.2	27.9	33.1	25.8	28.1	27.0	24.7	20.0	23.0
7-9	11.9	15.3	29.8	37.3	28.9	29.6	24.8	25.1	28.7	24.3	25.8	22.6	23.4	19.5	22.4
10-12	11.7	14.0	27.4	33.6	26.8	27.8	23.5	23.9	25.7	23.1	23.6	23.7	22.3	19.1	23.7
13+	12.5	12.8	16.3	18.9	19.9	21.3	21.8	20.8	17.1	21.2	22.5	17.9	18.3	19.5	24.4
Total	11.8	14.1	25.5	31.3	25.6	26.8	23.5	23.6	25.6	22.9	24.2	22.0	21.6	19.2	23.2
Males															
0	9.3	11.9	22.4	29.2	22.4	27.3	16.4	16.5	21.7	14.3	16.7	13.9	23.4	17.3	17.1
1-6	13.4	17.6	33.8	41.3	31.8	35.0	28.8	31.0	33.1	28.5	30.5	31.8	28.3	23.1	27.0
7-9	12.4	15.9	31.1	38.9	30.6	31.2	26.0	26.8	28.7	25.9	27.5	25.2	25.2	21.5	24.2
10-12	11.7	14.7	28.9	34.9	28.1	29.4	24.1	25.0	25.7	24.2	24.3	25.8	23.4	20.3	25.3
13+	8.8	9.3	14.1	17.5	16.3	16.8	16.6	15.9	17.1	17.7	16.2	12.4	12.5	13.6	18.1
Total	11.6	14.4	27.3	33.5	26.9	28.1	23.7	24.2	25.6	23.7	24.2	23.5	22.2	19.4	23.4
Females															
0	1.1	0.3	0.7	2.2	2.4	1.8	1.6	1.8	11.4	0.8	3.4	0.9	2.7	0.8	−
1-6	3.2	3.2	5.2	7.6	5.6	6.2	7.8	9.1	30.9	7.6	11.0	5.3	6.4	4.2	2.5
7-9	6.3	7.8	8.7	12.7	9.8	11.1	11.3	9.1	27.8	7.8	9.1	5.8	7.4	5.4	6.5
10-12	11.6	8.0	7.7	18.2	14.8	12.6	17.2	13.2	24.9	11.6	17.2	9.8	12.0	10.4	10.1
13+	21.9	21.9	22.2	22.5	28.3	30.8	32.5	31.3	21.6	28.8	36.3	29.0	30.6	32.1	38.1
Total	13.0	12.3	14.1	17.1	18.6	20.1	22.3	20.5	25.3	19.1	24.5	16.2	18.9	18.0	22.1

Source: PCBS, Labor Force Survey, 1999-2007.

3.3 Wages and Work Hours

The average daily wage in the West Bank and Gaza Strip declined during the first three quarters of 2007 as compared to the fourth quarter of 2006, while the average daily wage for paid workers in Israel and the settlements increased. This, of course, reflects the continued deterioration of economic conditions in the PT and their improvement in Israel (see Table 16).

Table 16a: Average Number of Hours Worked per Week, Number of Monthly Working Days and Daily Wage in NIS for Paid Workers from the Palestinian Territories by Place of Work, 1999-2006

Place of Work	Average Weekly Work Hours	Average Monthly Work Days	Average Daily Wage (NIS)	Median Daily Wage (NIS)
1999				
West Bank	44.6	23.5	66.2	60.0
Gaza Strip	43.2	24.0	51.4	46.2
Israel & Settlements	44.4	20.3	105.8	100.0
Total	**44.2**	**22.6**	**75.5**	**69.2**
2000				
West Bank	43.6	24.4	69.5	61.5
Gaza Strip	41.7	24.5	53.3	50.0

Place of Work	Average Weekly Work Hours	Average Monthly Work Days	Average Daily Wage (NIS)	Median Daily Wage (NIS)
Israel & Settlements	43.6	20.2	110.4	100.0
Total	**43.1**	**23.2**	**77.3**	**69.2**
		2001		
West Bank	43.2	23.6	69.3	60.0
Gaza Strip	40.1	24.6	54.4	50.0
Israel & Settlements	42.6	20.0	107.2	100.0
Total	**42.2**	**23.1**	**73.0**	**61.5**
		2002		
West Bank	40.9	22.8	71.4	60.0
Gaza Strip	40.0	24.1	54.9	50.0
Israel & Settlements	43.9	21.5	117.3	115.4
Total	**41.1**	**23.0**	**74.0**	**60.0**
		2003		
West Bank	42.3	23.7	72.7	60.0
Gaza Strip	40.6	22.6	53.2	50.0
Israel & Settlements	44.9	21.8	125.1	134.6
Total	**42.1**	**23.0**	**74.0**	**60.0**
		2004		
West Bank	43.0	24.0	72.6	61.5
Gaza Strip	41.6	23.2	58.2	52.5
Israel & Settlements	46.3	22.0	126.7	134.6
Total	**43.0**	**23.5**	**74.9**	**62.2**
		2005		
West Bank	42.5	23.6	73.7	65.4
Gaza Strip	41.2	24.0	61.9	57.7
Israel & Settlements	-	-	-	-
Total	**42.4**	**23.4**	**78.1**	**69.2**
		2006		
West Bank	42.2	23.1	77.9	69.2
Gaza Strip	39.9	24.0	68.9	65.4
Israel & Settlements	43.8	21.3	131.6	134.6
Total	**41.7**	**23.1**	**83.3**	**73.1**

Source: PCBS, Labor Force Survey, 1999-2007

Table 16b: Average Weekly Work Hours, Number of Monthly Working Days and Daily Wage in NIS for Paid Workers from the Palestinian Territories by Region, 2006-2007

Place of work	Average Weekly work hours	Average Monthly work days	Average Daily wage (NIS)	Median daily wage (NIS)
		Q1 / 2006		
West Bank	41.6	23.2	77.9	70.0
Gaza Strip	40.4	23.5	70.1	65.4
Israel & Settlements	43.2	20.7	130.1	134.6
Total	**41.4**	**22.9**	**83.4**	**73.1**
		Q2 / 2006		
West Bank	42.7	23.6	76.3	69.2
Gaza Strip	40.4	24.3	69.8	67.3

Place of work	Average Weekly work hours	Average Monthly work days	Average Daily wage (NIS)	Median daily wage (NIS)
Israel & Settlements	43.0	21.8	132.6	134.6
Total	**42.0**	**23.7**	**81.8**	**73.1**
		Q3 / 2006		
West Bank	42.9	23.5	78.2	69.2
Gaza Strip	41.5	24.5	68.8	65.4
Israel & Settlements	46.2	22.1	133.1	134.6
Total	**43.1**	**23.6**	**85.0**	**75.9**
		Q4 / 2006		
West Bank	41.5	22.1	79.3	67.3
Gaza Strip	37.7	23.5	67.0	61.5
Israel & Settlements	42.3	20.4	130.6	134.6
Total	**40.4**	**22.3**	**83.1**	**70.0**
		Q1 / 2007		
West Bank	41.9	22.2	79.4	70.0
Gaza Strip	40.6	23.5	66.9	61.5
Israel & Settlements	44.6	20.9	128.5	130.0
Total	**41.9**	**22.4**	**82.8**	**73.1**
		Q2 / 2007		
West Bank	42.4	22.3	76.9	69.2
Gaza Strip	40.4	23.5	63.7	57.7
Israel & Settlements	45.9	19.4	130.9	126.9
Total	**42.3**	**22.3**	**80.4**	**70.0**
		Q3 / 2007		
West Bank	42.5	22.0	77.1	70.0
Gaza Strip	39.7	22.4	64.1	57.7
Israel & Settlements	43.9	20.3	131.9	123.1
Total	**42.2**	**21.8**	**84.2**	**76.9**

Source: PCBS, Labor Force Survey, 1999-2007.

3.4 Vacancy Announcements in Local Newspapers

There was a gradual decline in the number of job vacancies advertised by the NGO sector in local papers throughout 2007. The figures for the third and fourth quarters are registered in this issue of the Economic and Social Monitor. Advertised vacancies totaled 912 during the third quarter: 65.7% came from the private sector, and 33% from NGOs, while the share of vacancies advertised by the public sector declined drastically to 1.2%. Advertised vacancies totaled 620 during the fourth quarter, i.e. a decrease of 32% from the third quarter: 45.3% came from the private sector, 50% came from NGOs, and 5% came from the public sector. Advertisements that did not specify the number of vacancies totaled 55 in the third quarter, and 30 in the fourth.

When we look at the distribution of advertised vacancies in the PT, we can see that the number of advertised jobs increased in the Gaza Strip by 26.7% compared to the second quarter of 2007, and declined in the fourth quarter by 14.6% compared to the third. In the southern West Bank, the number of advertised jobs increased in the third quarter of 2007 by 55.9% as compared to the second quarter, and then declined by 61% in the fourth quarter of the same year. In the northern West Bank, the number of advertised jobs declined in the third quarter by 14% as compared to the second quarter, and declined by a further 51.4% in the fourth quarter as compared to the third.

Table 17: Number of Job Vacancies Advertised in Local Newspapers during the 3rd and 4th Quarters of 2007 according to Sector, Geographical Area and Level of Education

	3rd Quarter				4th Quarter *			
	July	**August**	**September**	**Total**	**October**	**November**	**December**	**Total**
Private Sector	294	139	167	600	114	73	94	281
Public Sector	3	7	1	11	7	12	10	29
NGOs	91	125	85	301	146	61	103	310
Total	**388**	**271**	**253**	**912**	**267**	**146**	**207**	**620**
Northern West Bank	11	22	70	103	26	7	17	50
Center of the West Bank	242	182	145	569	166	118	142	426
Southern West Bank	90	22	19	131	18	16	17	51
Gaza Strip	45	45	19	109	57	5	31	93
Total	**388**	**271**	**253**	**912**	**267**	**146**	**207**	**620**
Master Degree and above	95	40	63	198	12	13	13	38
Bachelor Degree	215	181	150	546	193	127	160	480
Diploma	70	45	39	154	62	6	34	102
Less than Diploma	8	5	1	14	0	0	0	0
Total	**388**	**271**	**253**	**912**	**267**	**146**	**207**	**620**

Source: Data were compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).
* The estimate for December in the 4th quarter by taking the average of both October and November.

Studying the relationship between academic qualifications and employment in the different sectors, we find that in the third quarter, 52.5% of the advertisements for jobs in the private sector stipulated that applicants must hold bachelor's degrees, 24.6% stipulated the need for master's degrees, and 20.6% for diplomas. With regards to jobs in the public sector, the demand for holders of bachelor's degrees accounted for 54.5% of the total number advertised jobs, while demand for holders of master's degrees accounted for 45.5%. In the NGO sector, 74.7% of jobs advertisements asked for applicants with bachelor's degrees, 14.9% for applicants with master's degrees, and 9.9% for applicants with diplomas.

In the fourth quarter, advertisements for jobs for bachelor's degree graduates in the private sector accounted for 59% of the total number of jobs advertised by the sector, while those for holders of master's degrees accounted for 5.9%, and those for holders of diplomas accounted for 32.4%. In the public sector, jobs advertised for bachelor's graduates accounted for 42.4% of the total number of jobs advertised by the sector, while those for holders of diplomas accounted for 57.5%. In the NGO sector, jobs advertised for bachelor's graduates accounted for 94.3% of the total number jobs advertised by the sector, while those for holders of diplomas accounted for 3.2%.

In relation to fields of specialization, the demand for holders of degrees in management and accounting remains the highest, accounting for 20.8% and 21% of the total number of jobs advertised during the third and fourth quarters, respectively. Demand for qualified doctors, engineers and technological specialists accounted for 17.5% and 14% of the total number of jobs advertised during the third and fourth quarters, respectively, while advertisements for jobs related to social sciences accounted for 7% and 9% of the total number of jobs advertised during the same periods, respectively.

4. Banking Developments

No substantial changes affected the banking sector during 2007. Generally speaking, the situation of the banking sector reflected economic conditions that were characterized by recession during the first half of the year. The economic situation of the West Bank improved slightly during the latter half of the year, whilst the situation of the Gaza Strip continued to decline. The following trends were apparent:

- ✧ An increase in the number of deposits made. This signals growing trust in banking services.
- ✧ An increase in credit facilities extended to the Palestinian private sector.
- ✧ A decline in the credit facilities to clients' deposits ratio.
- ✧ An increase in the foreign investments-to-deposits ratio.
- ✧ A decline in the number of bounced checks compared to the total number of checks presented for clearance.

The comprehensive update and review of the Palestinian Monetary Authority (PMA), and the Banking Law were finalized, making them more appropriate to the development in the banking and legal environments, and more compatible with international standards. These two laws will soon be adopted officially by the relevant authorities. In addition, regulatory structures have been developed for licensing and monitoring foreign exchange trading and specialized credit financing companies. Also general guidance for good institutional governance had been completed, in addition to the preparation of credit information service regulation which is considered to be the nucleus of a comprehensive credit categorization system in Palestine.

With regards to capital formation, many banks have increased their capital in accordance with surveillance requirements of the PMA. They have done this with the cooperation of the central banks of Jordan and Egypt, as well as, to a lesser degree, the central banks of several other countries.

The PMA has also published many other banking regulations that are being compiled into a booklet that will be distributed to banks when completed. Work has also begun on the automation of quarterly bank reports, and negotiations are under way to open new branches of banking institutions already established in Palestine.

4.1 The Number of Banking Institutions and Branches

The third quarter of 2007 did not see any changes in the number of operating banking institutions in the PT (22 banks), however the number of branches and offices of these institutions rose to 159. An office of the Palestine Bank was opened in Dura, Hebron, an office of the Housing Bank was opened in Bethlehem, and offices of the Arab Bank were opened in Nablus and Salfit**.** In the West Bank (Northern Governorates), the number of branches and offices of indigenous / national banking institutions increased to 56, while the number of branches and offices of 'guest banks' increased to 61. In the Gaza strip (Southern Governorates) the number of offices and branches of both national and 'guest' banking institutions remained the same (26 national, 16 guest. See Table 18).

Table 18: Developments in the Number of Banks and Branches in the Palestinian Territories during 2007

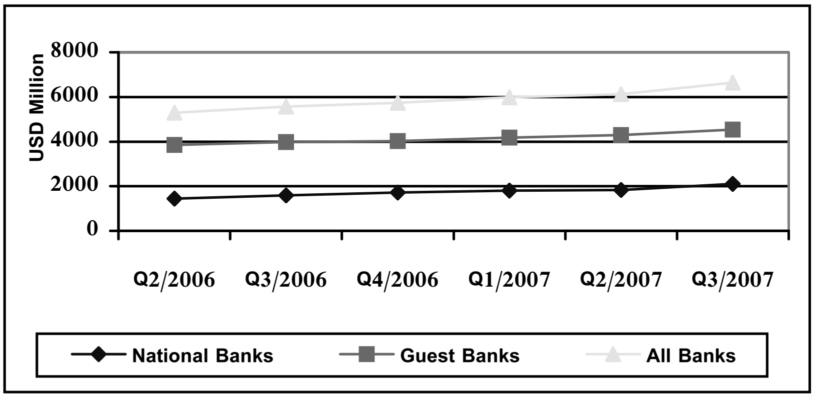
Period	Governorate	Administration			Number of Branches		
		General	Regional	Total	National	Guest	Total
Q2, 2007	Northern Governorates (WB)	9	10	19	55	58	113
	Southern Governorates (GS)	2	1	3	26	16	42
	Total	**11**	**11**	**22**	**81**	**74**	**155**
Q3, 2007	Northern Governorates (WB)	9	10	19	56	61	117
	Southern Governorates (GS)	2	1	3	26	16	42
	Total	**11**	**11**	**22**	**82**	**77**	**159**

Source: PMA, unpublished data.

4.2 Total Assets of Operating Banks in the PT

During the third quarter of 2007, the total assets of banks operating in the PT increased by 8.4% as compared to the second quarter of the same year, reaching a total of US $6,644.5 million. This was due to a 14.9% increase in the assets of national banks to US $2,108.2 million, and a 5.7% increase of the assets of 'guest' banks to US $4,536.3 million (see Figure 1).

Figure 1: Development in Banks' Assets/Liabilities in the Palestinian Territories in 2006 and 2007

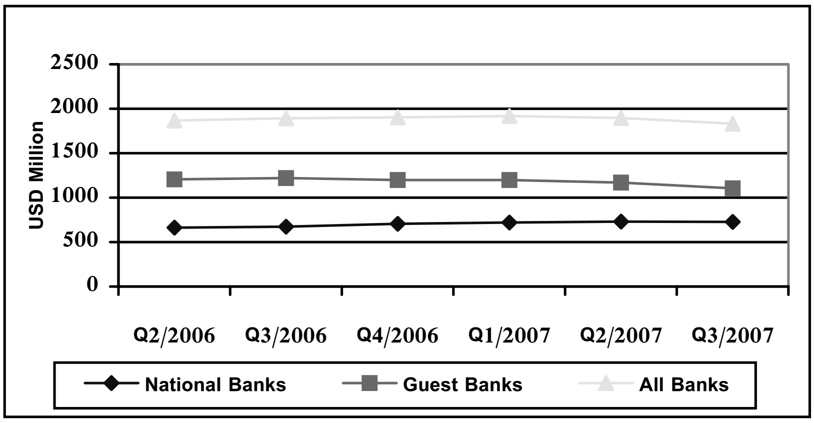


Source: PMA, unpublished data.

4.3 Credit Facilities Portfolio

During the third quarter of 2007, the total value of credit outstanding to operating banks (national and guest) in the PT decreased by 3.7%, as compared with the second quarter of the same year, to US $1,829.3 million. $726 million of credit was outstanding to national banks. This accounts for 39.7% of the total amount of outstanding credit, a decrease of 0.7%. Guest banks extended $1,103.3 million of credit; 60.3% of the total, a drop of 5.5%. This indicates that guest banks were more conservative in extending credit facilities, probably due to the economic and political conditions in the PT (see figure 2). The value of credit extended in the Gaza Strip (Southern Governorates) declined by 15.4% as compared to the second quarter of the same year, to total $343.6 million. The decline in the West Bank (Northern Governorates) was slim and did not exceed 0.5%; a total of $1,485.7 million during the same period.

Figure 2: General Trends in Credit Facilities Extended by Operating Banks in the Palestinian Territories



Source: PMA, Monthly Statistical Bulletin, various issues.

This decline in outstanding credit facilities coincided with a decline in credit facilities extended to the public sector to 25.2% of total credit facilities as compared with 26.2% in the previous quarter, while those extended to the private sector (either resident or non-resident) increased to 74.8% during the same period as compared with 73.8% in the second quarter of 2007 (see table 19). This decline in the outstanding value of credit facilities extended to the public sector can be attributed to the increase in the repayment of debts by employees of this sector after the resumption of regular payment of wages and salaries by the government in addition to the conservative attitude of banks toward extending new high value credit to public sector employees, and the resulting opportunity to extend more credit to the private sector.

The decline in credit facilities extended to the public sector contributed to the decline of the crowding-out effect of this sector on the private sector. This contributed to an increase in the relative importance of overdrafts during the third quarter of 2007 to 36.5% of total extended credit facilities as compared to 35.9% in the second quarter of the same year, and the decline in the relative importance of loans to 62.7% as compared to 63.4% during the same period. Lease financing and bank withdrawals remained at their second quarter levels of 0.6% and 0.2%, respectively (see Table 19).

The US dollar remained the main currency of credit facilities. 69.7% of total credit was given in US dollars, 18.1% was given NIS, 11.4% in JOD, and 0.8% in other currencies (see Table 19).

During the third quarter of 2007, the general trading sector enjoyed 21.6% of total extended credit facilities as compared to 19.9% during the second quarter of the same year. Construction enjoyed 13.2% as compared to 11.9%, agriculture enjoyed 1.1% as compared to 1.0%, mining and industry enjoyed 6.9% as compared to 5.9%, and all other services (transportation, tourism, public utilities, financial services, stock purchases and other services) enjoyed 57.2% as compared to 61.4%.

Table 19: The Distribution of the Credit Facilities Portfolio in 2006 and 2007 (Million $)

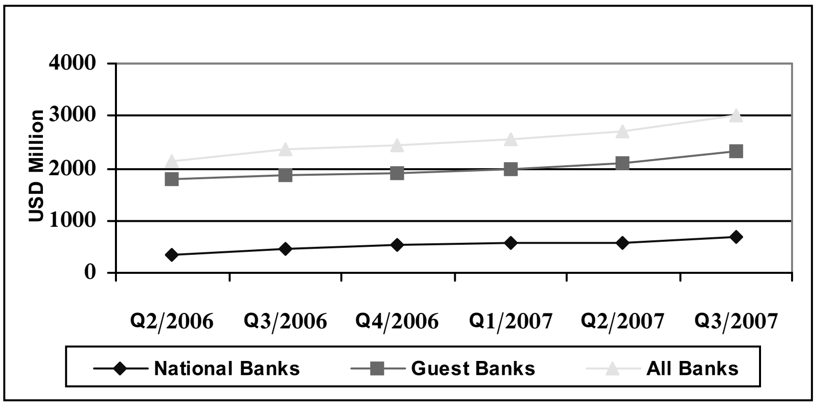
	2006				2007		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
By Geographical Distribution							
WB Governorates	1257.2	1333.3	.1371	1378.7	1441.5	1492.7	1485.7
GS Governorates	569.8	532	519.7	524.6	474.2	406.0	343.6
By Borrowing Party							
Public sector	591	506.7	479.5	483.6	496.8	497.8	460.1
Private sector (resident)	1165.4	1267.7	1320.8	1336	1336.1	1327.7	1302.2
Private sector (non-resident)	70.5	90.9	90.6	83.7	82.8	73.2	67.0
By Type of Credit Facility							
Loans	1178.7	1184.9	1200.5	1191.1	1198.2	1203.6	1147.6
Overdrafts	637.9	667.7	679.8	701.8	704.9	680.9	667.1
Leases	10.4	12.6	10.5	10.4	10.5	10.5	10.5
Bills and banker's acceptances	0.07	0.07	0.07	0.06	2.1	3.7	4.1
By Type of Currency							
US Dollar	1260.6	1309.3	1338.8	1346.7	1346.3	1337.4	1274.3
Jordanian Dinar	220.4	236.2	226.5	209.2	213.8	218.6	209.3
Israeli Shekel	335.45	308.5	309.8	332.8	341.0	327.4	330.5
Other	10.7	11.3	15.7	14.7	14.6	15.3	15.2
Total	**1827.1**	**1865.32**	**1890.8**	**1903.3**	**1915.7**	**1898.6**	**1829.3**

Source: PMA, Monthly Statistical Bulletin, various issues.

4.4 Banks' Investments Abroad

During the third quarter of 2007, banks operating in the PT disposed of the extra liquidity from the decline in the outstanding extended credit facilities and the increase in total deposits by increasing investments abroad by $320.83 million from the second quarter, to reach $3,015.2 million. Investment abroad by guest banks accounts for 70% of this increase as the total sum of those investments reached $2,339.9 million. Investment abroad by guest banks in the third quarter therefore comprised 77.6% of total investments abroad as compared to 78.5% during the second quarter of the same year. National banks contributed the remaining 30% of this increase in investments abroad. The total $675.3 million value of investments abroad by national banks comprised 22.4% of total investments abroad as compared to 21.5% during the second quarter of the same year (see Figure 3).

Figure 3: Banks' Investments Abroad in 2006 and 2007

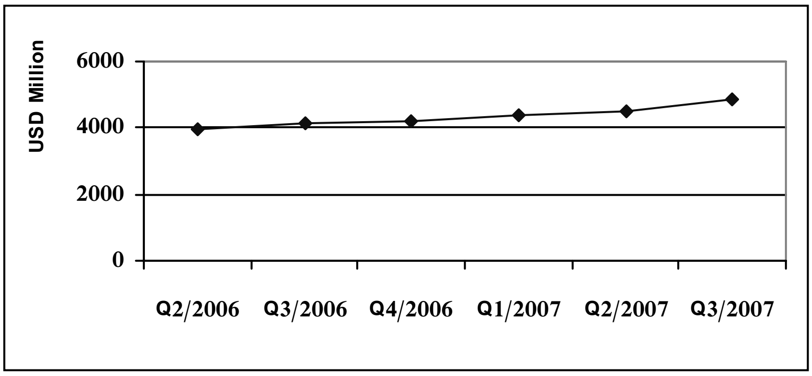


Source: PMA, Monthly Statistical Bulletin, various issues.

4.5 Deposits

The total number of deposits made in all operating banks in the PT during the third quarter of 2007 increased by 8.8%, to US $5,419.6 million. Deposits at national banks increased by 17.7%, while deposits at guest banks increased by just 5.3%. It is also worth mentioning that deposits from public and private sector clients made up 86.6% of the total value of deposits. This was an increase of 8% to total $4,854.5 million. $1,335.0 million (or 27.5% of total deposits) of this was deposited at national banks, an increase of 14.8% from the second quarter. $3,519.5 (72.5% of total deposits) million of deposits were made at guest banks, an increase of 5.6% from the second quarter (see Figure 4).

Figure 4: Trends in Clients' Deposits by Quarter in 2006 and 2007



Source: PMA, Monthly Statistical Bulletin, various issues.

Although this increase in deposits made by public and private sector clients encompasses both the Gaza Strip (Southern Governorate) and West Bank (Northern Governorates), the greatest increase was in the West Bank. The West Bank registered an increase of 8.7% as compared to the second quarter of 2007 to total $4,003.6 million. This constituted 82.5% of the total amount deposited by public and private sector clients in the third quarter of 2007 as compared to 81.9% in the second quarter of the same year. In the Gaza Strip, clients' deposits increased by 4.8% as compared to their level in the second quarter to total $850.9 million. This constituted 17.5% of the total amount deposited by clients from the public and private sectors, as compared to 18.1% during the second quarter of the same year.

This increase encompassed both the private and public sectors as total private sector deposits increased by 8.2% as compared to their level in the second quarter of the same year to reach $4,364.1 million. This constituted 89.9% of total sum of deposits (of which 97.6% were made by the private sector). Total public sector deposits rose by 6.6% from the second quarter to reach $490.4 million, constituting 10.1% of total clients' deposits.

A 9.7% increase in time deposits was registered in the second quarter of 2007. They totalled $2,079.2 million, comprising the largest share of total deposits. Current account deposits increased by 7.5% in the second quarter to total $1,714.3 million. These constituted 35.9% of total clients' deposits. Savings deposits increased by just 5.5% in the second quarter to total $1,034.0 million. These constituted 21.3% of total clients' deposits.

The various currencies retained their relative importance in clients' deposits. The US dollar dominated with a share of 51.1%, followed by the Jordanian Dinar with a share of 24.7%, the Israeli Shekel with a share of 17.6%, and other currencies with a share of 6.2% between them.

Table 20: Distribution of Clients' Deposits by Quarter in 2006 and 2007

	2006			2007		
	Q2	Q3	Q4	Q1	Q2	Q3
By Geographical Distribution (%)						
WB Governorates	77.7	77.6	78.3	78.8	81.9	82.5
GS Governorates	22.3	22.4	21.7	21.2	18.1	17.5
By Depositing Party (%)						
Public Sector	8.4	9.6	9	9.4	10.2	10.1
Private sector-resident	89.5	88.2	88.9	88.6	87.7	87.8
Private Sector-non-resident	2.1	2.2	2.1	2	2.1	2.1
By Type of Deposit (%)						
Current	33.4	34.2	33.4	32.9	36.0	35.9
Saving	22.3	21.7	22.1	21.7	21.8	21.3
Time	44.3	44.1	44.5	45.4	42.2	42.8
By Type of Currency (%)						
US Dollar	53.7	54.2	54.4	54.1	52.6	51.5
Jordanian Dinar	25.9	25.3	29	25.6	25.6	24.7
Israeli Shekel	15.5	15.3	12.5	15	16.6	17.6
Other	4.9	5.2	4.1	5.3	5.2	6.2

Source: PMA, Monthly Statistical Bulletin, various issues.

4.6 Equity[4]

During the third quarter of 2007, banks in the Palestinian Territories continued to supplement their capital in accordance with surveillance regulations issued by the PMA. Thus, banks' equity increased by 8.9% in the second quarter of the year to US $658.2 million (see Table 21). 13.3% of this increase is attributable to guest banks, and 4.2% is attributable to national banks. Paid capital rose by 2.0% during the same period, most of which came from guest banks, to total $524.4 million.

Table 21: Main Items in Banks' Consolidated Balance Sheets by Quarter: 2006-2007

Item	2006			2007		
%	Q1	Q2	Q3	Q1	Q2	Q3
Cash	3.9	3.9	3.9	3.9	3.7	4.5
Balances with the PMA	9.8	9.5	9.0	8.8	8.9	8.8
Balances with other banks	2.8	2.7	2.8	4.4	4.2	5.5
Balances with other banks abroad	40.5	40.2	41.9	42.1	43.9	45.8
Credit Facilities	33.6	35.2	33.9	32	30.9	27.8
Portfolio Investment	4.2	2.9	3.1	3.1	2.4	2.4
Other Assets	5.2	5.6	5.4	5.7	6.0	5.0
Assets =Liabilities	100	100	100	100.0	100.0	100.0
Clients' deposits	74.7	75.2	74.8	73.6	73.2	73.1
PMA deposits	3	2.7	2.9	2.4	2.8	3.2
Deposits of banks operating in Palestine	2.8	2.2	2.7	4.5	4.2	4.9
Deposits of banks operating outside Palestine	1.6	1.6	1.4	1.0	0.9	0.4
Equity	10	9.7	9.7	10.3	9.8	9.9
Bad-debt allowance	2.6	2.4	2.4	2.7	3.1	2.9
Other liabilities	5.3	6.2	6.1	5.5	5.9	5.6

Source: PMA, Monthly Statistical Bulletin, various issues.

4.7 Selected Bank Performance Indicators

Table 22 shows performance indicators for banks operating in the Palestinian Territories – more details are provided in the sub-sections that follow.

4.7.1 Capital Adequacy to Risk-weighted Assets

The PMA has continually emphasized the importance of banks keeping adequate amounts of capital in contingency against expected and unexpected risks to fund resources, especially deposits. PMA regulations stipulated that the capital adequacy ratio for national banks operating in the PT should not be lower than 10.0% for commercial banks, and 12.0% for Islamic and investment banks.

4.7.2 Bad Debt Provisions to Total Credit Facility[5]

Although the number of debts classified as "unsuccessful" declined during the third quarter of 2007 as compared to the second quarter, banks took the precautionary measure of increasing the ratio of debts facilities to total credit facilities to 10.5% (compared to 10.1% in the second quarter). This indicator measures the amount that banks have set aside to meet credit risks that are debited

4 Equity includes paid capital, reserves, profits and underwriting premiums.
5 Provisions are set by banks to meet expected and unexpected risks on credit and are usually 1.25%-1.5% of total profits.

against their income statement as a percentage of total credit facilities. This ratio is calculated according to a pre-set PMA ratio.

4.7.3 Private Sector Credit Facilities to Private Sector Deposits

This ratio fell noticeably in the third quarter of 2007 to 28.2% (compared to 31.2% in the second quarter). This indicates that banks operating in the PT are expanding their liquidity position. This reflects their tendency towards risk aversion, and their tendency to restrict the expansion of credit facilities.

4.7.4 Credit Facilities to Clients' Deposits

The credit facilities to clients' deposits ratio declined to 37.7% in the third quarter of 2007 (compared to 42.2% in second quarter). Due to the conservatism shown by banks in their restriction of credit facilities due to general economic and political conditions, this ratio declined in the third quarter below the 40% minimum set by the PMA.

4.7.5 Investments Abroad to Total Deposits

The PMA has made efforts to encourage banks to invest the largest part of their funds within the borders of the Palestinian Territories to reduce the ratio of investments made abroad. PMA regulations stipulate that banks operating in the PT should not invest more than 65% of their total deposits abroad. It is worth noting that this ratio still lies below that ceiling, despite the fact that it increased to 55.9% in the third quarter of 2007 due to the increase in the liquidity of these banks (compared to 53.9% in the second quarter).

Table 22: Bank Performance Indicators by Quarter in 2006 and 2007 (%)

Indicator	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Bad Debt Provisions to Total Credit Facilities	7.6	6.8	7.2	7.5	8.5	10.1	10.5
Total Private Sector Credit to Private Sector Deposits	33.6	37.2	37.5	37.2	35.6	31.2	28.2
Credit Facilities to Clients' Deposits	44.91	47.2	45.4	45.3	43.5	42.2	37.7
Investments Abroad to Total Deposits	50.0	49.5	51.5	52.1	52.0	53.9	55.9

Source: PMA, unpublished data.

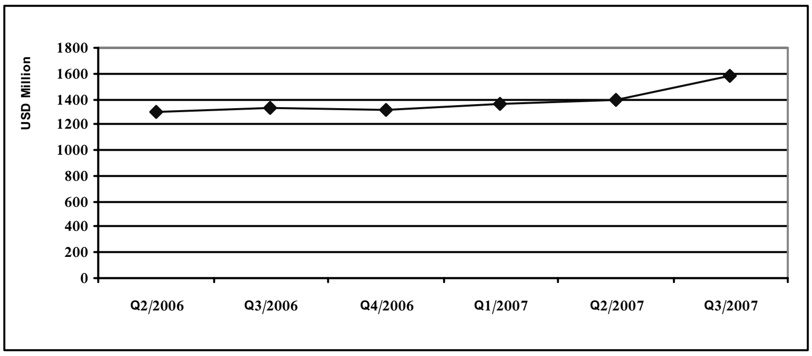
4.8 Clearing House Activities

Clearing house activities reflect economic conditions, therefore, the increase in the number of checks presented for clearance, and the decline in the percentage of those that bounced indicate some improvement in the Palestinian economic condition. There was a noticeable increase in activity in the PMA's clearing house in the third quarter of 2007. The number and value of cleared checks coincided with the increase in the number and value of bounced checks.

The number of checks presented for clearance in different currencies (USD, JOD, NIS, and Euro) increased by 9.3% over the third quarter of 2007 reach 639,617 checks at a total value of $1,588.6 million. This is an increase of 13.5% compared with their value in the second quarter of the same year (see Figure 5).

In an obvious indication of the economic condition of the PT, the number of bounced checks of all currencies increased by 0.3% in the third quarter of 2007 compared to the second quarter of the same year to total 80,020. The value of these checks totaled $119.0 million. This is an increase of 1.4% compared to the total value of checks that bounced in the second quarter of 2007. Despite this increase in the number and value of bounced checks, their ratio to the number of checks presented for clearance declined to 12.5%. The ratio of their values to the values of those presented for clearance declined to 7.5% as compared to the ratios in the second quarter of the same year (see Table 23).

Figure 5: Trends in Checks Presented for Clearance by Quarter: 2006 and 2007



Source: PMA, Monthly Statistical Bulletin, various issues

Table 23: The Number and Value of Checks Presented for Clearing and the Percentage of Bounced Checks by Quarter: 2006 and 2007

Period	Checks Presented for Clearing		Bounced Checks		Percent Bounced	
	Number of checks	Value of checks (million $)	Number of checks	Value of checks (million $)	Number %	Value %
Q2, '06	583,983	1,293.4	109,581	104.6	19	8.1
Q3, '06	583,073	1,337.0	99,987	115.5	17	8.6
Q4, '06	571,844	1,312.1	97415	139.8	17	10.7
Q1, '07	547,498	1,359.6	87,026	125.3	15.8	9.2
Q2, '07	585,426	1399.3	79,778	117.3	13.6	8.4
Q3, '07	639,617	1588.6	80,020	119.0	12.5	7.5

Source: PMA, Monthly Statistical Bulletin, various issues.

4.9 The Exchange Rate Spread

Generally, the exchange rate of the JOD and USD declined during 2007 in the PT and Israel in comparison to 2006. The exchange rate of the Euro increased in Israel during the same period, while it fluctuated in the PT.

Table 24 illustrates the exchange rate for the USD to the NIS by quarters in 2007 and 2006 in the PT. The USD to NIS exchange rate declined from NIS4.21 in the first quarter to NIS4.08 in the second. It then declined by 2.5% in the third quarter to NIS4.18. It then declined by a further 5% in the third quarter to stand at NIS3.97 in the fourth. The main cause of the USD's huge depreciation was the increase in the number of mortgages given to people with low incomes and suspicious credit records by American banks due to the rise in property prices in the USA, and therefore, the rise in the interest rate on the USD. This led to the inability of many people to pay back their mortgage debts, which forced the American Federal Bank to reduce interest on the USD, thereby leading to a decline in demand for the USD in international markets.

Looking at the exchange rate spread, we find a rise in the average rate spread during the second quarter; 0.65% compared to 0.25% during the first quarter. It then declined to 0.28% during the third quarter as compared to the second quarter, and then declined further still to reach 0.25% in the fourth quarter of 2007. This indicates a decline in the exchange margins of all transactions, and therefore, a decline in the degree of risk, indicating the efficiency of currency markets and the increase in the degree of competition between them.

When we compare the average exchange rates of the USD to the NIS in the Palestinian Territories in 2006 and 2007, we find that the exchange rate of the USD declined by 8% during 2007 compared to its value in the corresponding period of 2006; NIS4.12 compared to NIS4.47.

Table 24: Dollar Exchange Rate to the NIS in the PT by Quarters of 2006 and 2007

Period	Purchase Price	Selling Price	Value of Spread	% of Spread
Average of Q1, 2007	4.21	4.22	0.01	0.25
Average of Q2, 2007	4.08	4.11	0.03	0.65
Average of Q3, 2007	4.18	4.19	0.01	0.28
Average of Q4, 2007*	3.97	3.98	0.01	0.25
Annual Average in the PT, 2007**	4.12	4.14	0.01	0.36
Annual Average in the PT, 2006***	4.47	4.48	0.01	0.23

Source: PMA.
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

Table 25 illustrates the average exchange rate of the USD to the NIS in Israel by quarters during 2007 and 2006. The exchange rate of the USD declined to NIS4.08 in the second quarter of 2007, down from NIS4.22 in the first. It then rose to NIS4.19 in the third quarter, and declined again by 6% to NIS3.96 in the fourth.

When the 2006 and 2007 exchange rates of the USD to the NIS in Israel are compared, we find that the average exchange rate of the USD declined by 4.5% during 2007 (NIS4.11 compared to an annual average of NIS4.30 in 2006).

Table 25: Quarterly Average Exchange Rate of the USD to the NIS in Israel in 2006 & 2007

Period	NIS/$
Average of Q1, 2007	4.22
Average of Q2, 2007	4.08
Average of Q3, 2007	4.19
Average of Q4, 2007*	3.96
Annual Average in Israel, 2007**	4.11
Annual Average in Israel, 2006***	4.30

Source: PMA.
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

The JOD to NIS exchange rate declined from NIS5.94 in the first quarter of 2007 to NIS5.75 in the second. It increased to NIS5.91 in the third quarter, and then declined by 4% during the fourth quarter to NIS5.64 (see table 26).

When we follow the spread average, we find that the decline during the first quarter of 2007 was 0.20%. The second quarter decline was 0.16%. This figure increased to 0.64% during the third quarter, and then slightly increased again to 0.66% during the fourth.

The average exchange rate of the JOD to the NIS in the PT declined by 3.6% during 2007, as compared with its annual average of 2006, to NIS5.83.

The average exchange rate of the JOD to the NIS declined from NIS5.95 in the first quarter of 2007 to NIS5.76 in the second. It then increased by 3% to NIS5.91 in the third quarter, and declined again to NIS5.60 in the fourth.

Table 26: The Exchange Rate of the JOD to the NIS in the PT by Quarters of 2006 & 2007

Period	Purchase Price	Selling Price	Value of Spread	% of Spread
Average of Q1, 2007	5.94	5.95	0.01	0.20
Average of Q2, 2007	5.75	5.76	0.01	0.16
Average of Q3, 2007	5.91	5.94	0.04	0.64
Average of Q4, 2007*	5.64	5.68	0.04	0.66
Average in the PT, 2007**	5.83	5.85	0.02	0.39
Average in the PT, 2006***	6.05	6.07	0.02	0.33

Source: PMA.
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

When the annual average exchange rate of the JOD to the NIS is compared between 2006 and 2007, we find that it declined by 4.3% during 2007 to NIS5.81. The annual average of 2006 was NIS6.07.

Table 27: Average Exchange Rate of the JOD to the NIS in Israel by Quarters of 2006 and 2007

Period	NIS/JOD
Average of Q1, 2007	5.95
Average of Q2, 2007	5.76
Average of Q3, 2007	5.91
Average of Q4, 2007*	5.60
Annual Average in Israel, 2007**	5.81
Annual Average in Israel, 2006***	6.07

Source: PMA.
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

At the same time, we notice that the Euro to NIS exchange rate was almost equal during the first and second quarters of 2007 (NIS5.56 and NIS5.55 per €, respectively). We also notice that it increased by 4% to NIS5.78 in the third quarter as compared to the second, and then declined marginally to NIS5.73 during the fourth. This reflects the strength and stability of the Euro compared the USD in international markets.

Table 28: Average Exchange Rate of the € to the NIS in the PT by Quarters of 2006 and 2007

Period	Purchase Price	Selling Price	Value of Spread	% of Spread
Average of Q1, 2007	5.56	5.57	0.01	0.24
Average of Q2, 2007	5.55	5.58	0.04	0.74
Average of Q3, 2007	5.78	5.79	0.01	0.24
Average of Q4, 2007*	5.73	5.75	0.01	0.26
Average in the PT, 2007**	5.65	5.67	0.02	0.37

Source: PMA.
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

When we compare the annual average exchange rate of the € to the NIS between 2006 and 2007, we find that it increased by 2% during 2007 to NIS5.63 as compared to NIS5.53 in 2006. This was due to the increase in the demand for the € in international markets which led to the increase of the value of the € against the USD.

Table 29: Average Exchange Rate of the € to the NIS in Israel by Quarters of 2006 and 2007

Period	NIS/€
Average of Q1, 2007	5.52
Average of Q2, 2007	5.51
Average of Q3, 2007	5.75
Average of Q4, 2007*	5.73
Annual Average in Israel, 2007**	5.63
Annual Average in Israel, 2006***	5.53

Source: PMA.
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

When we compare the annual average of the exchange rates of the JOD, the USD, and the € against the NIS in the PT during 2007, we find that they correspond very closely to the exchange rates of the same currencies in Israel.

5. The Palestinian Stock Market

At the beginning of 2007, the Palestine Securities Exchange (PSE) began to sign agreements with local and foreign companies to disseminate information pertaining to the Palestinian stock exchange. Many of these agreements were finalized in the third quarter of 2007. Some were related to the transmission of exchange information through SMS messages. Others related to the exchange of information between the PSE and Emirate Orion Trade Soft, and between the PSE and the Thomas Miri Organization. Such agreements are considered to be important steps in the development of the information dissemination capabilities of the PSE. It is hoped that they will help increase confidence in the Palestinian stock market, and therefore the value of transactions in it. In total, 18 such agreements have now been made. Another important development was the publication on the 19 September 2007 of banking regulations that stated that all banks operating in the PT have to extend credit facilities for stock investment. Also, the annual forum of the Palestinian capital market was held between the 8th and the 10th September 2007 to support the PSE.

34 out of the 35 companies listed in the PSE disclosed financial statements for the first half of 2007 within the specified time period. It was concluded from these financial statements that 23 of these companies had achieved profits, whilst 11 had suffered losses.

Despite the important developments in the Palestine Securities Exchange (PSE), it was immensely affected by political developments and internal tension. The number of traded stocks, therefore, during the third quarter of 2007 declined by 28.6% as compared to the second quarter, to 60.8 million. The volume of traded stocks declined by 10% to $178.1 million in the third quarter of 2007, as compared to $198 million in the second quarter.

The number of trading sessions and the market value remained constant during the second and third quarters: 63 trading sessions were held in each, and the market value was $2.4 billion.

Finally, the Al-Quds index increased by 1.5% to 517.18 points compared to 509.69 points at the end of June.

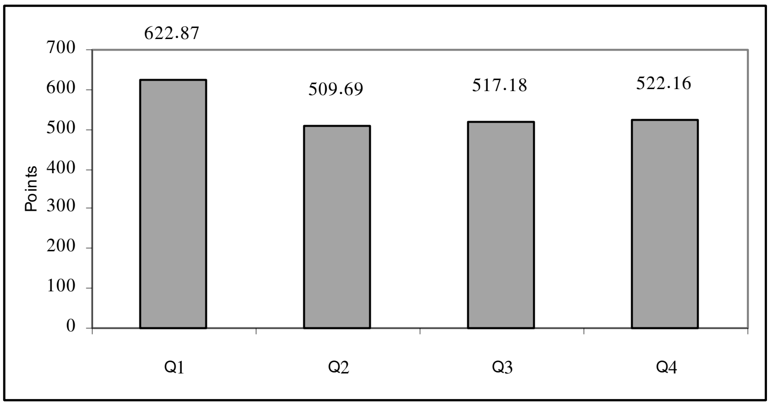
Table 30: Main Indicators of the PSE, 2007

Period	Market Value (billion USD)	Number of Trading Sessions	Al-Quds Index (points)	Trading Volumes (stocks' value) (million USD)	Number of Traded Stocks (million)
Q1, 2007	2.9	60	622.87	256.2	91.7
Q2, 2007	2.4	63	509.69	198	85.2
Q3, 2007	2.4	63	517.18	178.1	60.8
Q4, 2007*	2.5	46	522.16	130	46.8
Total of 2007**	2.5	231	522.16	759.8	283.2
Total of 2006***	2.7	222	625.92	985.9	199.2

Source: PSE, www.p-s-e.com
* The fourth quarter until November 2007.
** Until November 2007.
*** Until November 2006.

When we compare 2007 with 2006, we find that the volume of trade during 2007 amounted to $759.8 million, a decline of 22.9% compared to 2006. The market value totaled $2.5 billion; a decline of 9.2% compared to 2006. The Al-Quds index declined by 16.58% to 522.16 points at the end of November 2007 compared to 625.92 points at the end of November 2006.

Figure 6: Al-Quds Index by Quarters of 2007



Source: PSE, www.p-s-e.com

6. Prices and Purchasing Power

In mid 2007, serious developments began to affect the economic situation of the PT: In addition to the chronic problem of unemployment, the economy started to suffer from inflation after the huge increase in the average prices of consumable goods in the second half of the year. The CPI in January was 154.03, and 164.01 at the end of the year (base year, 1999=100). If this increase continues, it is possible that the Palestinian economy could slide into stagflation. This would only increase the suffering of the average Palestinian citizen.

6.1 Prices

During the first quarter of 2007, a slight decline in the prices of consumer goods was registered due to low aggregate demand caused by the economic crisis through which the Palestinian Territories were going. With the beginning of recovery at the start of the third quarter coinciding with a wave of increases in international prices, the there were sharp price increases in the PT during the second half of 2007. These price increases peaked in August, affecting the prices of most essential commodities, especially food prices. It is worth noting that food expenditure represents more than 40% of the Palestinian consumer basket, and that consecutive increases encompassed imported and locally produced commodities. It is also worth mentioning that these increases affected the prices of the basic commodities that were used by local industries to produce goods. This led to a chain of cumulative effects on the prices of many goods as increases in the prices of flour, rice, fuel and meat affected the prices of bakery products, sweets, and transportation services during the third and the beginning of the fourth quarters of 2007.

Data on prices during the third quarter of 2007 indicates a rise of 2.52% in the Shekel-based CPI in the Palestinian Territories, compared to a decline of 0.34% in the second quarter and a rise of 0.37% in the first quarter. This rise continued in the fourth quarter of the year, and preliminary estimates of price movements for the whole year indicate that, at the end of the year, the CPI rose over its level at the beginning by 6.68%, bringing the average increase in prices during the year to 2.69% (see Table 31).

Table 31: The CPI for 2007

Month	CPI	Cumulative Percentage Change (%)*
January	154.03	0.35
February	153.42	(0.05)
March	153.16	(0.22)
April	152.71	(0.51)
May	152.97	(0.34)
June	153.36	(0.08)
July	154.14	0.43
August	157.49	2.60
September	158.96	3.53
October	160.18	4.30
November	162.47	5.73
December	164.01	6.68

Source: PCBS.
* Figures in parentheses are negative.

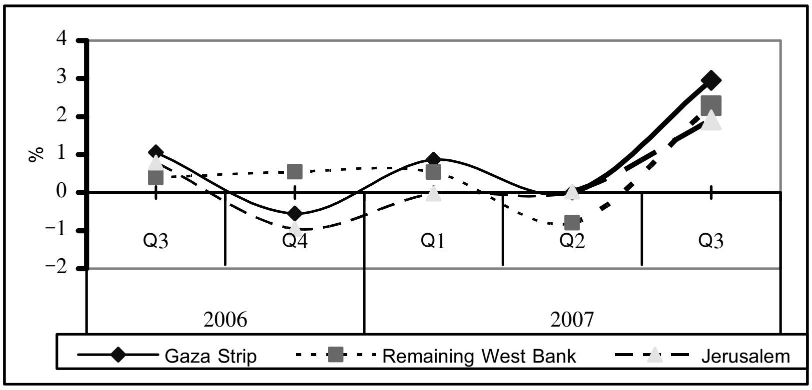
The rise in the prices was sharpest in the Gaza Strip due to the Israeli-imposed siege. Preliminary estimates indicate that the average increase in prices was 4.04% in the Gaza Strip, 2.52% in the remaining West Bank, and 1.41% in Jerusalem. The rise in the food prices was the main driver of price increases (see Table 32).

Table 32: Average Increase in Prices in 2007

Category	Percentage Change
Beverages and tobacco	5.23
Food	4.75
Various good and services	3.15
Housing	1.61
Transportation & Telecom	1.21
Education services	0.50
Furniture and house goods and	0.39
Recreational goods and services	(1.72)
Textiles, apparels and footwear	(0.75)
Healthcare	(0.06)

Source: PCBS, 2007.
* Figures in brackets indicate a negative value.

Figure 7: Shekel-based Inflation Rate in Jerusalem, the Remaining West Bank and the Gaza Strip by Quarter: 2006 and 2007



Source: Calculated by MAS from PCBS data on the Consumer Price Index, various issues.

In the third and fourth quarters of 2007, increases in the prices of all categories of goods were registered. Most obvious was that of the food category, which rose by 4.8%, and the beverages and tobacco category, which rose by 4.68%.

Food category prices rose by 2.61% in the Gaza Strip during the third quarter of 2007 due to the increase in the prices of basic commodities, while in the remaining West Bank they rose by 4.54% (see Table 33). A rise of 5.62% was registered in food category prices in the Gaza Strip during the first two months of the fourth quarter of 2007, as compared to third quarter of the same year, while in the remaining West Bank, a rise of 5.41% was registered during the same period. An unprecedented increase of 12.5% was registered in beverage and tobacco category prices in the Gaza Strip during the third quarter of 2007 as compared to the second. They continued to rise by a further 8.52% during the first two months of the fourth quarter of 2007. Only a slight increase in the prices of this category was registered in the remaining West Bank during the same period.

Table 33: Changes in the CPI in the PT by Region and Commodity Groups in the Third Quarter of 2007 as Compared to the Second Quarter of the Same Year

Category	Palestinian	RWB	GS	Jerusalem
Food	3.61	4.54	2.61	2.84
Beverages and tobacco	5.99	0.42	12.50	1.25
Textiles, Apparels and Footwear	-0.17	-1.11	-0.22	0.84
Housing	4.68	5.50	5.99	4.07
Furniture, goods and services	-0.13	-1.16	1.08	0.16
Transportation & Telecom	1.66	1.15	1.67	2.31
Education services	0.28	0.21	1.05	0.02
Healthcare	1.29	1.76	1.03	0.69
Recreational goods and services	-0.22	-0.37	-0.67	-0.41
Other goods and services	0.17	0.69	1.31	-0.92
General Price Index	2.52	2.28	2.95	1.91

Source: PCBS, 2007.

Housing prices in the Gaza Strip rose by 5.99%, and transportation and communications prices rose by 1.67% during the third quarter of 2007. They continued to rise by 3.53% and 0.83% respectively during the first two months of the fourth quarter of 2007. The prices of transportation and communication in the remaining West Bank rose by 1.15%, and housing category prices rose by 5.50% during the third quarter of 2007. They continued to rise during the first two months of the fourth quarter of 2007 by 1.29% and 4.25%, respectively.

The prices of nondurable goods (food, cigarettes and other consumables) rose by 4.17% during the third quarter of 2007 compared to the second quarter. During the same period, the prices of durable goods (home appliances and recreational goods) rose by 0.04%. A decline of 0.16% was registered in the prices of semi-durable goods (textiles, apparels and footwear) in the second quarter.

The prices of domestically produced goods rose by 1.59% during the third quarter of 2007, while a large increase of 4.28% was registered in the prices of imported goods.

6.2 Average Prices of Selected Essential Commodities

Data in Table 34 (below) reveals that the prices of most of essential commodities have noticeably increased during the third quarter of 2007. This could be attributed to the international rise in the prices of imported commodities, including wheat, rice and fuels, and the rise in the prices of some locally-produced goods. The following sub-sections summarize the price movements of some of these commodities at the end of the third quarter of 2007 as compared to the previous quarters:

✧ ***Flour and Rice Prices***
Record highs were registered in the percentage increases of the prices of flour and rice during the third quarter of 2007 as compared to the second quarter of the same year: the percentage increases in the prices of flour and rice in the Gaza Strip were 34.17% and 8.07%, respectively, while the percentage increases in the prices of flour and rice rose in the West Bank by 21.63% and 5.53%, respectively.

✧ ***Bread Prices***
During the third quarter of 2007, the price of bread rose by a huge percentage: 10.02% in the remaining West Bank, and 8.73% in the Gaza Strip as compared to the second quarter of the same year.

✧ ***Fuel Prices***
Gasoline prices in the Palestinian Territories increased in the third quarter of 2007 due to the rise in international oil prices. The price per liter of gasoline increased by 5.97% in the remaining West Bank, and 6.11% in the Gaza Strip. Prices of natural gas for domestic heating increased during the same period by 21.82% in the remaining West Bank, and 20.72% in the Gaza Strip, as the average price of gas cylinders reached NIS44.67 during the third quarter of 2007.

✧ ***Dairy product Prices***
The overall rise in prices affected other essential commodities like dairy products. Data indicates a 4.36% rise in the price of dairy products in the third quarter of 2007 in the remaining West Bank, and an even sharper rise in the Gaza Strip of 9.0%.

Table 34: Averages of Selected Consumer Prices of Essential Commodities by Quarter: 2006 and 2007 (NIS)

Item	Unit	WB			GS		
		Q3 2007	Q2 2007	Q3 2006	Q3 2007	Q2 2007	Q3 2006
Sugar-crystal-UK	50 kg	146.69	150.00	147.93	160.00	180.00	180.00
White Flour-zero-Haifa	60 kg	144.88	110.94	109.81	138.83	110.83	110.00
Rice (short seed)-Sunwhite-Australia	25 kg	94.24	87.80	85.46	93.33	90.00	85.00
Tomatoes	1 kg	2.83	2.24	2.46	1.20	1.09	2.01
Potatoes	1 kg	2.42	2.24	2.81	1.60	1.49	2.34
Gasoline 96 Octane	1 liter	5.76	5.73	6.01	5.76	5.73	6.01
Gas Cylinder	12 kg	44.67	36.67	36.00	44.67	37.00	36.00
Powdered Milk (France)	2.5 kg	84.56	82.75	84.09	83.67	80.00	80.00
Olive Oil	1 kg	20.40	20.58	23.99	24.33	23.33	21.72

Source: PCBS, 2007.

✧ ***Fresh Vegetables***
A large increase of 17.74% was registered in the prices of fresh vegetables in the remaining West Bank during the third quarter of 2007, while in the Gaza strip prices declined by 14.75% as compared to the previous quarter. This disparity was due to the accumulation of these export products in the Gaza Strip resulting from the Israeli-imposed closure.

Purchasing Power

The purchasing power of the Palestinian citizen is his or her ability to buy goods and services with his or her money. World-wide, it depends on the CPI which measures the change in the prices of a consumer basket of goods and services. The CPI is inversely related to purchasing power, meaning that the when the CPI goes up, the purchasing power of the citizen goes down, and his or her money will buy less of the same consumer goods and services.

When we talk of purchasing power, we mean the purchasing power of the local currency. Because the PT use different currencies (NIS, USD and JOD), the foreign exchange rates of the USD and JOD against the NIS play a role in determining purchasing power. The relationship is positive in this case; when the exchange rate of the USD increases, for example, purchasing power increases (meaning that the citizen will be able to buy more goods and services). Ultimately, the purchasing power of the USD and JOD depends on two factors: the first is the change in the Shekel-based CPI, and the second is the exchange rates of the USD and JOD to the NIS.

Table 35 shows an increase of 2.69% in the average CPI between 2006 and 2007. This increase was accompanied by a decline in the exchange rate of both the USD and JOD of 7.71% and 7.59%, respectively, which led to a decline in the purchasing power of the USD of 10.4% and the JOD of 10.28% between the two years. The increase in the CPI is attributed to the natural increase in the prices of goods and services, especially those of fuels and essential commodities. The decline in the exchange rate of the USD (and the JOD because it is pegged to the USD) is related to the current state of the US economy which is suffering from crises of chronic federal budget deficit, and deficits in the trade balance and the balance of payments.

Table 35: Shekel-based CPI and Exchange Rates of the USD and the JOD to the NIS in the PT in 2000-2007

CPI	Exchange Rate*		Year
	NIS/JOD	NIS/$	
123.28	5.80	4.08	2000
124.79	5.91	4.21	2001
131.92	6.65	4.73	2002
137.73	6.41	4.55	2003
141.86	6.31	4.48	2004
146.79	6.31	4.50	2005
153.72	6.29	4.45	2006
156.41	5.83	4.12	2007

Source: PCBS, CPI, 2006, and Quarterly Reports of 2007.
* Exchange rates are from PMA.

Although changes in purchasing power usually follow similar trends in the different areas of the PT, there are discrepancies between different regions.

In 2007, the purchasing power of the USD declined by 8.49% in Jerusalem, whilst at the same time declining by 10.83% in Gaza Strip. The largest decline was seen in the Gaza Strip, the second largest in the remaining West Bank, and the smallest in Jerusalem (see Table 36). Since the exchange rate is constant for the three areas, the difference in the purchasing power is mainly attributed to the difference in the CPI.

Table 36: The Development of Purchasing Power of the USD and JOD by Region in 2005, 2006 and 2007*

Region	Currency	2005	2006	2007
Palestinian Territories	USD	(3.02)	(3.62)	(10.40)
	JOD	(3.47)	(2.83)	(10.28)
Remaining West Bank	USD	(2.44)	(3.19)	(9.56)
	JOD	(2.89)	(2.40)	(9.45)
Jerusalem	USD	(4.90)	(2.72)	(8.49)
	JOD	(5.35)	(1.93)	(8.38)
Gaza Strip	USD	(0.73)	(5.74)	(10.83)
	JOD	(1.18)	(4.95)	(10.72)

Source: Data were calculated by the author based on PCBS and PMA data.
* Figures in parentheses are negative.

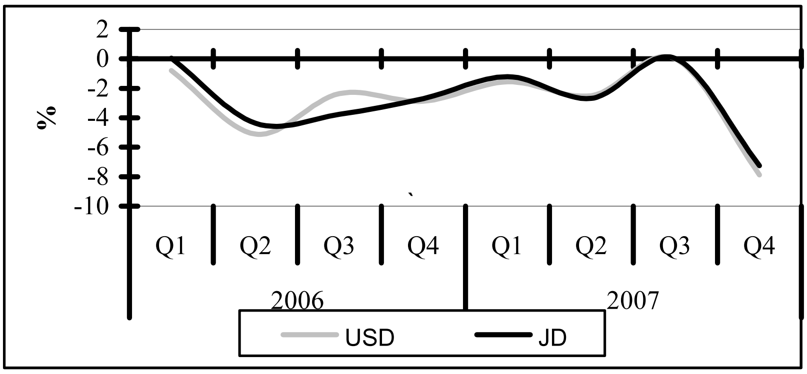
Whilst a comparison of the differences in purchasing power over the years is methodologically useful, a quarterly comparison of the same year gives more accurate details. It is noticeable that the largest rise in the CPI during 2007 comes in the second half of the year: the CPI increased by 5.44%, whereas the change did not exceed 0.02% in the first half of the year.

Table 37: The Purchasing Power of the USD and JOD in the PT by Quarters of 2007*

Quarter	Change in the CPI (%)	Currency	Change in the Exchange Rate of Currency against the NIS(%)	Purchasing Power of the Currency(%)
Q1, 2007	0.37	USD	(1.18)	(1.55)
		JOD	(0.83)	(1.2)
Q2, 2007	(0.35)	USD	(2.86)	(2.51)
		JOD	(3.03)	(2.68)
Q3, 2007	2.45	USD	2.45	0
		JOD	2.43	0.02
Q4, 2007	2.85	USD	(5.02)	(7.87)
		JOD	(4.40)	(7.25)

Source: Data were calculated by the author based on PCBS and PMA data.
* Figures in parentheses are negative.

Figure 8: Developments in the Purchasing Power of the JOD and USD in the Palestinian Territories by Quarters of 2005-2006



7. Tourism

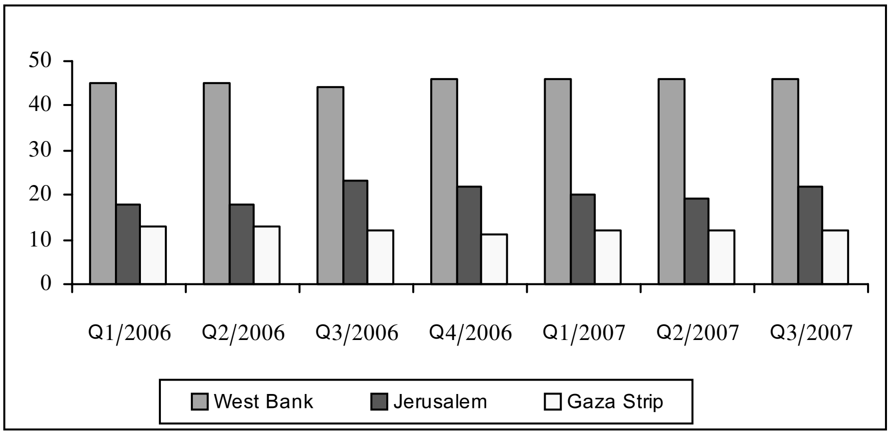
There has been some improvement in tourist activity in 2007, although the tourism sector is still suffering from the unstable political situation, and arbitrary Israeli-imposed closures.

As would have been expected, these improvements were seen first in Jerusalem. There was a slight improvement in the remaining the West Bank, however, the difficult conditions in Gaza Strip did not permit any improvement.

7.1 Hotel Activity

The total number of hotels in the Palestinian Territories was 116. This figure includes those hotels which are operating, and those which are temporarily closed. The number of operating hotels differs according to the month: there were 80 hotels operating in September 2007 (with a combined total of 4,124 rooms and 8,887 beds available), whereas, in June 2007, only 77 hotels were operating (with a combined total of 4,005 rooms and 8,537 beds available). The average number of employees was 1,285. 1,111 of these were males, and 174 of whom were females.

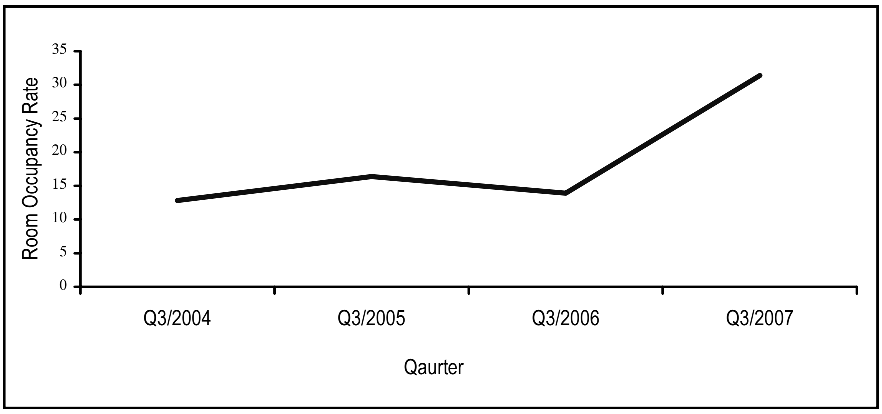
Figure 9: Number of Operating Hotels in the Palestinian Territories by Quarter, 2006-2007



Source: PCBS, Hotel Activities in the Palestinian Territories.

Room occupancy rates of hotels operating in the PT averaged 1,296.3 hotel rooms per day; 31.4% of available rooms. The third quarter saw a noticeable increase in room occupancy rates as compared with the same quarter of previous years.

Figure 10: Hotel Room Occupancy Rates during the 3rd Quarters of 2004-2007



Source: PCBS, Hotel Activities in the Palestinian Territories.

43.8% of the total number of guests staying in hotels in the PT stayed in hotels in Jerusalem. 40.4% stayed in hotels in the central West Bank, 14.3% stayed in hotels in the southern West Bank, and 1.2% stayed in hotels in the northern West Bank. Hotels in the Gaza Strip had just 0.3% of those guests, and the hotel room occupancy rate was 2.1%. The total number of guests in hotels in the PT was 102,142.

The total number of nights of hotel accommodation purchased in the PT was 208,360 during the third quarter of 2007. 12.1% of those guests were Palestinian, 41.7% were from the European Union, and 7.3% were from the United States and Canada.

The average of length of stay in hotels in the PT was 2.0 nights per guest. Guests at hotels in the Jerusalem area had the highest average length of stay of 2.8 nights per guest. The averages in the northern, central and southern West Bank were 2.1, 1.4, and 2.3 nights per guest, respectively. In the Gaza Strip, the average was 2.4 nights per guest.

The following table shows the main indicators of hotel activity[6] during the second and third quarters of 2007 and the third quarter of 2006. From it, we can ascertain the extent of the changes that occurred in hotel activity. There was a rise in all indicators, except for a slight decrease in the number of workers compared to the same quarter last year.

Table 38: Percentage Change in Hotel Activity Indicators during the 3rd Quarter of 2007 Compared to the Previous Quarter and the 3rd Quarter of 2006

Indicator	Percentage Change Over the 3rd Quarter 2006	Percentage Change Over the 2nd Quarter 2007
Number of Operating Hotels at the End of the Quarter	2.6	3.9
Average Number of Employees at the End of the Quarter	-0.1	1.3
Number of Hotel Guests	205.9	35.8
Number of Nights' Accommodation	149.9	31.1
Average of Rooms Occupancy	138.0	27.8
Average Beds Occupancy	149.9	29.7
Rate of Rooms Occupancy	125.9	25.6
Rate of Beds Occupancy	131.8	26.2

Source: PCBS, Hotel Activities in the Palestinian Territories.

8. Infrastructure

8.1 Building Permits

Quarterly building permit statistics can be compared in two ways. The first method compares the change between two successive quarters, for example, the change in the number of building permits issued between the second quarter of the year 2007 and the third quarter of the same year. The second method compares the change in the indicators between a quarter and the corresponding quarter of the previous year, for example, the change in the number of building permits that were issued in the third quarter of 2006 compared to the third quarter of 2007.

6 (a) Average occupancy is the sum total number of rooms occupied divided by the number of days of occupancy.

(b) Occupancy ratio (rooms, family): the sum represents the average occupancy (rooms, family) divided by the number (of rooms, family) available multiplied by hundred.

(c) Length of stay rate: the total number of nights' accommodation by nationality divided by the number of guests of the same nationality.

In spite of the importance of the first method in monitoring the changes in the issuing of building permits between successive quarters, this method does not take into account the effect of factors such as weather and climatic conditions on the construction sector. Those who follow the statistics in the construction sector in general, specifically the number of building permits, would notice an increase in the volume of activities associated with building and construction during the summer (i.e. during the second and third quarters), and a decline in the volume of such activities during the winter (i.e., during the first and fourth quarters). We decided to use the second method in this issue of the *Monitor*. A comparison of data from the second and third quarters of 2007 will be made with data from the corresponding quarters of 2006 in order to try and neutralize the effects of factors of season and weather.

Data on the number of building permits issued indicates an increase of 2.7% during the third quarter of 2007 compared with the second quarter of the same year; totalling 1,207 permits. The number of permits issued during the second quarter of 2007 increased by 12.5% compared with the number of permits issued during the first quarter of 2007. Comparing the third quarter of 2007 and the third quarter of 2006, we see that the number of permits issued during 2007 increased by 2.2%. When the second quarter of 2007 is compared with the second quarter of 2006, we see that the number of permits issued decreased by 36.1%. Permits issued for new buildings constituted more than 57.7% of the total number of permits issued in the third quarter of 2007. Permits for additions to already licensed buildings constituted about 20.2% of the total number of permits; a decrease of 11.8% from the second quarter of 2007. Permits for new buildings constituted 52.3% of the total number of permits issued in the second quarter of 2007, while permits for additions to licensed buildings constituted about 23.2%.

The total area of space licensed for new building during the third quarter of 2007 was 518.9 thousand square meters. Compared with the total area of building space licensed in the second quarter of 2007, we notice an increase of about 15.1% in the third. The licensed area rose by 28.2% during the second quarter of 2007, compared with the first quarter of 2007. When comparing the second quarter of 2007 with the corresponding quarter of 2006, we notice that the licensed area decreased by 34.5%, while it increased by 1.4% in the third quarter of 2007.

The area licensed for new building in the third quarter of 2007 was 428.5 thousand square meters. The area licensed for extensions to existing buildings was 90.3 thousand square meters. This represents a decline compared to the third quarter of 2006 of 4.5% in the area licensed for new buildings, and 11.4% in the area licensed for extensions to existing buildings. When a comparison is made with the second quarter of 2007, we notice that the area licensed for new buildings increased by 18.8% in the third quarter of 2007.

Of the total area licensed for new building, about 74.4% was for residential buildings in the second quarter of 2007, while that for non-residential buildings was 25.6%. Residential and non-residential additions to existing buildings constituted 80.3% and 19.7%, respectively, of the total area licensed for extensions.

Table 39: Selected Indicators of Building Permits and Licenses Granted for Extensions to Existing buildings in the Remaining West Bank and Gaza Strip in 2006 and 2007

Indicator	Licensed areas (thousand squared meters)				
	Q2/2006	Q3/200 6	Q1/200 7	Q2/2007	Q3/2007
Total Number of Issued Permits	1840.0	1181.0	1044.0	1175.0	1207.0
Total Areas of Licensed Buildings	689.6	511.9	404.7	451.0	518.9
✧ New Areas	488.9	410.0	312.2	360.6	428.5
Residential Buildings	380.0	310.0	223.4	268.4	286.9
Non-Residential Buildings	108.9	100.0	88.8	92.2	141.6
✧ Existing Areas	200.7	101.9	92.6	90.4	90.3
Residential buildings	160.1	86.7	73.9	72.6	71.4
Non-residential buildings	40.6	15.2	18.6	17.8	18.9

Source: PCBS, Statistics on Building Permits, 3rd quarter, 2007.

8.2 Cement Imports

Factors affecting the licensing of buildings are similar to those affecting the quantity of imported cement. For purposes of analysis and comparison, the statistics that apply to buildings permits also apply to some extent to cement statistics. Therefore, we will compare the second and third quarters of 2007 with the previous quarters of the year and the corresponding quarters of the previous year.

Looking at Table 39, which pertains to the number of building permits granted and the area licensed for extensions to existing buildings, a relative decline is observed in the number of permits granted and the area licensed for extensions in the second and third quarters of 2007 compared with the corresponding quarters of 2006. These developments were directly reflected in statistics on the import of cement to the PT during that period. Data indicates a decrease of 14.4% in the amount of cement imported during the third quarter of 2007 compared with the third quarter of 2006. The total amount of cement imported in the third quarter of 2007 was around 297.1 thousand tons, all of which went to the West Bank. This quantity exceeds the amount of cement imported during the same period of 2006 by 2.7% (see table 40).

In contrast to this, the reported quantities of imported cement grew by 8.9% during the second quarter of 2007 compared with the second quarter of 2006. The quantity of cement imported to the Gaza Strip accounted for only a tiny percentage of the total amount of cement imported to the PT. The quantity of cement imported to the Gaza Strip increased by 110.2%, whilst there was decline in the quantity of cement imported to the West Bank of 7.6%.

73.0% of the total quantity of cement imported to the PT went to the West Bank in the second quarter of 2007; 291.5 thousand tons.

Table 40: Cement Imports into the Palestinian Territories in the 2nd & 3rd Quarters of 2006 and 2007 (thousand tons)

Area/Period	2006		2007	
	Q2	Q3	Q2	Q3
Palestinian Territories	366,808	347,084	399,400	297,111
West Bank	315,475	289,413	291,510	297,111
Gaza Strip	51,333	57,671	107,890	0

Source: PCBS, Statistics on imported cement, 2007

8.3 Company Registration

According to Jordanian Companies Law Number 12 of 1964, the Department of Companies' Registration in the Palestinian Ministry of National Economy is responsible for the registration of the name, legal status, and capital value of Palestinian companies. The Department classifies companies by three types: public shareholding companies and private shareholding companies, ordinary companies, and foreign shareholding companies. A company's registration process differs according to its legal status. Data on registered companies is used to ascertain which activities attract investment in Palestine. It is also considered a good indicator of investment conditions, as influenced by economic or political conditions. The number of new companies applying for registration continues to rise even though these licenses are not always used immediately, and are sometimes deferred until future dates.

The data in Table 41 illustrates how 2007 saw a significant increase in the number of companies registered with the Ministry of National Economy. This number rose by 74% in 2006. 387 companies registered in the first quarter of 2007. Just 174 new companies registered in the fourth quarter of the same year (please note that the fourth quarter includes October and November only).

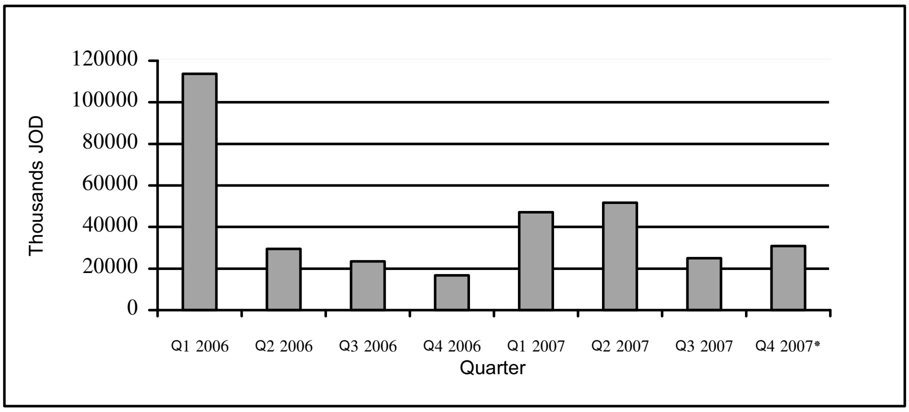
Table 41: Development of the Number of Companies and their Registered Capital by Quarters of 2006 and 2007

Quarter	Number of Companies	Capital (thousands JOD)
Q1, 2006	175	113,692
Q2, 2006	228	29,459
Q3, 2006	162	23,531
Q4, 2006	72	16,747
Total	**637**	**183,429**
Q1, 2007	387	47,100
Q2, 2007	288	51,800
Q3, 2007	260	25,075
Q4, 2007*	174	30,771
Total	**1109**	**154,746**

Source: Raw data from Companies Registration Department, Ministry of National Economy, 2006 and 2007.
*Data pertain to October and November 2007.

The total registered capital of new companies in 2007 declined despite the rise in the number of registered companies: JOD154.7 million compared with JOD183.4 million in 2006; a fall of 15.6%. The highest amount of capital (JOD51.8 million) was registered in the second quarter of the year (see Figure 11). This is mainly attributed to the registration of "The National International Company" whose capital totals almost JOD14.5 million.

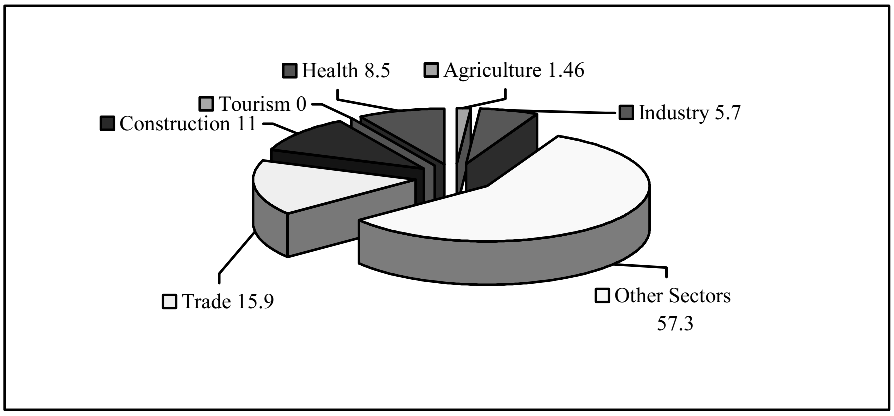
Figure 11: Total Capital for Newly Registered Companies in the Palestinian Territories in JOD by Quarter in 2006 and 2007



Source: Ministry of National Economy, Department of Company Registration.
*Q4/2007 covers till the start of December.

Figure 12 shows the capital of the new companies that registered in the fourth quarter of 2007: the services sector and other sectors accounted for 57.3% of the total capital registered, the trade sector accounted for 15.9%, and the construction sector accounted for 11%. These percentages follow the trend of the percentages of the previous quarter: the largest share of the capital registered by new companies in the third quarter of 2007 also belonged to the services sector and other sectors (50.4%), this was followed by trade sector (33.2%), and the construction sector (13.9%). It is apparent that there was no change in the registered capital of the tourism sector during these two quarters. This is due to the regional lack of political and economic stability, especially after the events in Gaza in June.

Figure 12: Distribution of Newly Registered Companies' Capital in the Palestinian Territories, by Economic Activity during the 4th Quarter of 2007 (%)



Source: The Ministry of National Economy, Department of Company Registration, 2007

A comparison of the legal status of newly registered companies (see Table 42) reveals that the largest proportion of registered capital in 2007 belonged to "private shareholding" companies (58%), 31% belonged to "ordinary companies", and 10.8% belonged to "foreign private shareholding" companies. The table also indicates an increase of 155% in the registered capital of "ordinary public" companies, and a decline in the registered capital of "public shareholding companies" of about 99%.

Table 42: Distribution of Capital of Newly Registered Companies in the West Bank by Legal Classification in 2006 and 2007 (JOD)

Quarter	Legal Form							Total
	Public Ordinary	Private Shareholding	Public Shareholding	Foreign Private Shareholding	Foreign Ordinary	Foreign Public Shareholding	Ordinary Limited	
2006	16,860,520	65,671,920	22,030,691	7,680,000	0	0	150,000	112,393,131
2007*	42,989,000	80,649,160	100,000	15,059,470	0	0	0	138,797,630

Source: The Ministry of National Economy, Department of Company Registration, 2007.
* 2007 covers the period till the beginning of December.

Table 43: The Distribution of Capital for Newly Registered Companies in the Gaza Strip by Legal Classification in 2006 and 2007 (JOD)

Quarter	Legal Form			Total
	Ordinary Company*	Public Shareholding	Private Shareholding	
2006	88	20,000,000	51,035,100	71,035,188
2007	0	0	16,008,315	16,008,315

Source: The Ministry of National Economy, Department of Company Registration, 2007.
* According to Egyptian law, companies are allowed to register with zero capital, explaining the existence of capital amounting to only 13 JOD in Ordinary Companies

Legal classification for companies in the Gaza Strip is different from that in the West Bank. Companies in the Gaza Strip have three legal classifications; ordinary companies, public shareholding companies, and private shareholding companies. Table 43 illustrates the unambiguous change in the registered capital of companies in the Gaza Strip between 2006 and 2007. The value of the capital registered there declined from JOD71 million in 2006 to JOD16 million in 2007; a sharp decline of 77.5%. This is attributed to unstable political conditions there, especially after June, i.e. in the third and fourth quarters.

9. Expectations of Owners and Managers of Industrial Establishments[7]

In a survey carried out in October 2007 amongst the officials of industrial establishments, there appeared to be clear consensus on two points: the first was their belief that the general situation had worsened compared to the previous month; the second was their belief that the situation could continue to deteriorate in the future, and their hope that the coming months would bring the possibility of improvement. Here follows a summary of the survey results[8]:

9.1 Industrial Establishments' General Performance

Results of the survey indicate that 56.9% of owners and managers of industrial establishments found that the general performance of their establishments did not change during October 2007, while 22.4% of those surveyed felt the performance of their establishments had worsened. 19.6% of those owners and managers expected the general performance of their establishments to improve during November 2007. 33% believed that the general performance of their establishments would improve over the next 6 months.

9.2 Production

24.6% of those owners and managers indicated that production had deteriorated in comparison with the previous month. Moreover, 19.8% of them indicated that industrial establishments now faced more difficulties in obtaining raw materials and inputs for production. About 70.6% of respondents believed that no change had occurred that was worth mentioning. 21.5% of respondents expected that levels of production at their establishments would improve in November 2007 as compared to October, while 35.7% believed that production would improve over the next six months.

9.3 Employment

12.1% of respondents stated that they now employed less workers than they previously had, while 10.3% stated that they were currently employing more workers than previously. Only 9.3% of respondents were optimistic about the general employment situation in November 2007. 21.3% expected that levels of employment in their establishments would improve within the next 6 months. 20.1% of respondents believed that workers' productivity had declined in their establishments, and 9.9% indicated that workplace discipline was deteriorating.

9.4 Financial Position and Credit Financing

18.2% of respondents stated that the financial situation of their establishments was worst in October 2007. 88.8% indicated that borrowing from banks for financing purposes (i.e. credit facilities) did not change. 22.6% expected their financial positions to improve after one month, and 25% of them believed their financial standing would improve within the next six months.

7 This section of the Monitor quotes the "Survey of Perceptions of Owners (Managers) of Industrial Establishments of Economic Conditions" which was conducted during 3-23/10/2007. It represents October 2007 as compared to September 2007.

8 The Industrial survey of 2004 was adopted as a framework for preliminary sampling. Moreover, the survey was limited to establishments that contribute to 70% of the total industrial output, excluding establishments that employ fewer than 20 workers.

9.5 Sales and Competition

31.6% of respondents stated that there had been a decline in sales, while 19.5% stated that there had been an improvement in sales. 22.8% expected that sales would increase in November 2007, and 38% expected sales to increase during the coming six months.

95.2% of respondents stated that their main product faced competition in the market. This figure was higher in the Gaza Strip, at 98.2%. 84.2% indicated that the main sources of their competition were domestic rather than foreign in origin.

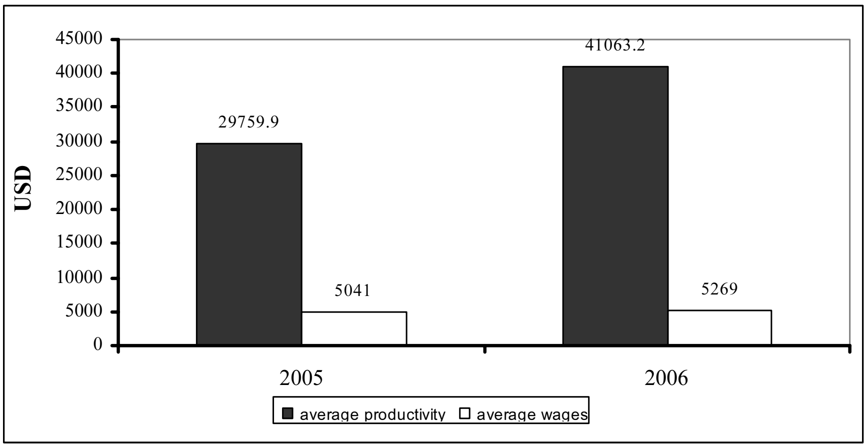
10. Economic Surveys

10.1 Construction Contractors

Survey results showed a significant decline in construction activity in the remaining West Bank and Gaza Strip in 2006 as compared with the previous year. The number of construction businesses stood at 460 in 2006; a drop of 11.6% from the previous year. 190 of these businesses were in the West Bank (a decline of 23.0%), and 270 of them were in the Gaza Strip (a decline of 3.7%). The number of construction workers declined by 18.4%, to total 3,909. There was a 23.3% decline in the number of construction workers in the remaining West Bank, and a decline of 14.7% in the Gaza Strip. Consequently, each business's share of workers declined from 9.0 in 2005 to 8.5 in 2006.

The value added of these companies decreased by 0.9% to approximately $135.7 million. The value-added in the West Bank increased to approximately $74.3 million (an increase of 9.9), while the value-added in the Gaza Strip declined to $61.4 million (a decline of 13.9%). Gross capital formation declined by 14.8% to $0.9 million. Overall, annual depreciation declined by 26.8%. On the other hand, the rate of net investment during the same year increased by 24.4% to minus $1.9 million. In the Gaza Strip, gross capital formation totaled $282.2 thousand in 2006, compared with $503.8 thousand in the previous year. In the West Bank, gross capital formation rose by 14.5% from the year before. In the West Bank, annual depreciation declined by 54.9%, while rising in the Gaza Strip by 13.9%. In the Gaza Strip, net investment fell by 77.6% to minus $0.8 million, while in the West Bank, net investment rose by 48.7% to minus $1.1 million.

Figure 13: Average Wages and Productivity of Workers engaged in Construction Activities in the Remaining West Bank and the Gaza Strip in 2005 and 2006



Source: PCBS, Survey of Construction Contractors' Activity, 2006.

Indicators show a 38.0% increase in the productivity of construction contractors in 2006 compared to the previous year, to total $41,063.2 dollars per worker. The average wage rose by 4.5% to reach $269 per worker (see Figure 13).

10.2 Transportation, Storage and Communications

The activities of the transportation, storage and communications sector differ from the activities of other sectors in terms of comprehension and coverage as they cover activities both in the formal and informal sectors. The most important results are summarized as follows:

10.2.1 The Formal Transportation Sector

The formal transportation sector covers the following economic activities:

- Activities that transport passengers and goods by road
- Transport and supportive activities, and the activities of tourism and travel agencies
- Post and telecommunications activities

Here follows the main results of a survey of the activities of the transportation, storage and communications sector in 2006 as compared to 2005:

The Number of Establishments and Employment
During 2006, the number of transportation, storage and communications businesses in the remaining West Bank and the Gaza Strip was 598 (370 operating in the remaining West Bank; 228 operating in the Gaza Strip).

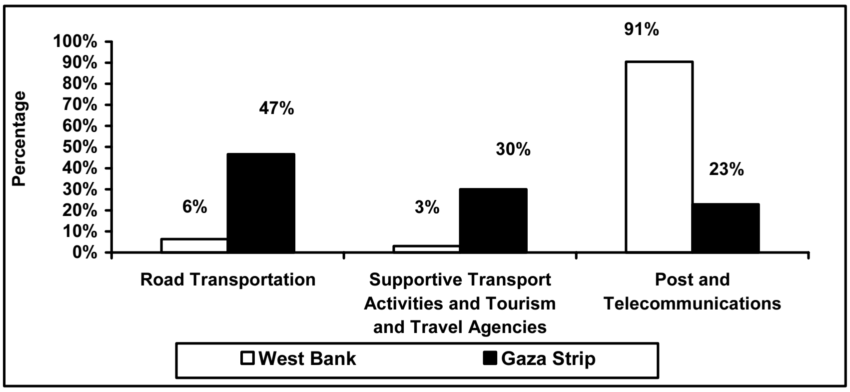
Compared with 2005, 2006 saw a decline in the number of transportation, storage and communications businesses in the remaining West Bank and Gaza Strip of 3.4% (5.1% in the remaining West Bank, and 0.4% in Gaza Strip). The number of companies engaged in road transportation activities stood at 271 in 2006; a decline of 0.73%. 245 companies were engaged in transportation and supportive activities and tourism and travel activities when the survey was carried out in 2006. This represents a decline of 10.2%. The number of companies engaged in post and telecommunications activities increased by 12.3% to total 82 establishments.

6,239 workers were employed in this sector in the remaining West Bank and the Gaza Strip during 2006 (4,999 in the remaining West bank; 1,240 in the Gaza Strip). Results indicate a rise of 3.9% in the number of workers engaged in transportation, storage and communications activities in the remaining West Bank and the Gaza Strip. It is apparent that, in 2005, in the remaining West Bank this number rose by only 1.4%, whilst the Gaza Strip it rose by 15.4%. The post and telecommunications sub-sector employed the largest number of workers in the transportation, storage and communication sector in the remaining West Bank in 2006 (56.4%). In the Gaza Strip, the transport and supportive activities and the tourism and travel agencies sub-sector employed the largest number of workers in the transportation, storage and communication sector (43.5%).

Waged workers still comprise the bulk of employees in this sector, accounting for 83.7% of the total number of people employed in this sector in the remaining West Bank and Gaza Strip. 96.3% of employees in the post and telecommunications sub-sector in the remaining West Bank and the Gaza Strip were waged workers. The highest percentage of waged workers is found in this sub-sector.

Value added
During 2006, the value added of this sector in the remaining West Bank and the Gaza Strip was $245.2 million; an increase of 83.2% compared to 2005. This increase was due to a 91% rise in the activities of sector in the remaining West Bank. The value added of the Gaza Strip decreased by 37.3%. The activities of the post and telecommunications sub-sector in the remaining West Bank accounted for 89.1% of the total value added for the whole sector in the remaining West Bank and the Gaza Strip in 2006 (see Figure 14).

Figure 14: The Relative Distribution of Value Added of the Transportation, Storage and Communications Sector in the remaining West Bank and the Gaza Strip in 2006



Source: PCBS, the Survey on Transportation, Storage and Telecommunications

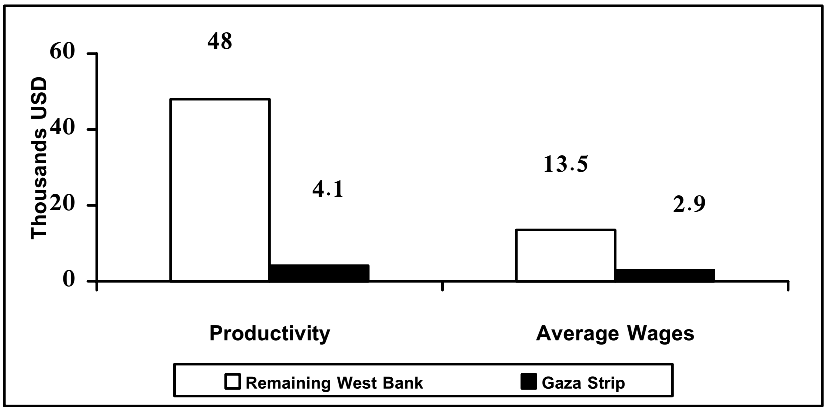
Wages and Productivity

Changes in the number of employees and value added in the remaining West Bank and the Gaza Strip led to a 76.3% increase in productivity; $39,293.6 per worker in the transportation, storage and communications sector.

The productivity of workers in the post and telecommunications sub-sector was the highest among the transport, storage and communication sector in the remaining West Bank and the Gaza Strip; $71,411.6 per worker; a 103.7% rise compared to 2005.

Productivity per worker in the road transportation sub-sector was the least; $7,696.0 per worker. The companies of this sub-sector tend to be small. Their contribution to employment amounted to 36.9%, while their contribution to the value added did not exceed 7.2%.

Figure 15: Average Wages and Productivity in the Transportation, Storage and Telecommunication Sector in the remaining West Bank and the Gaza Strip in 2006



Source: PCBS, the Survey on Transportation, Storage and Telecommunications

The average annual wage in this sector in the remaining West Bank remained higher than in the Gaza Strip; the $13,531.9 per worker in the former, compared to $2,866.0 per worker in the latter. The highest wages in this sector in the remaining West Bank were in the post and telecommunications sub-sector ($18,976.8 per worker), and the lowest wages were in the road transportation sub-sector ($4,517.2 per worker). Similarly, in the Gaza Strip, the highest wages in this sector were in the post and telecommunications sub-sector ($3,943.5 per worker), and the lowest were in the road transportation sub-sector ($2,436.7 per worker) (see Figure 15).

10.2.2 Informal Transportation Sector

The informal transportation sector covers the following economic activities:

- ✧ The transportation of passengers (public taxi and private transport vehicles) by road
- ✧ The transportation of goods by road

Here follows the main results of a survey of the activities of the informal transportation sector in 2006:

Number of Vehicles and Employment
During 2006, the number of vehicles used by the informal transportation sector in the PT totaled 11,337 vehicles, of which 8,463 were in the West Bank, and 2,696 were in the Gaza Strip.

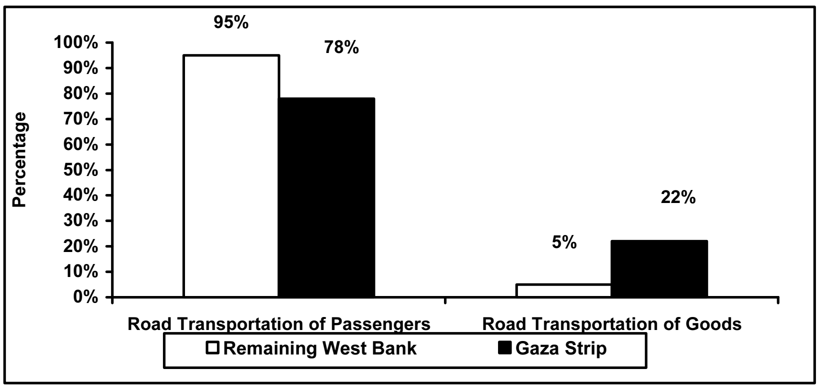
Compared with 2005, 2006 saw an overall increase of 0.1% in the number of vehicles used by this sector. This represents a 2.0% increase in the West Bank, and an 11.0% decline in the Gaza Strip. Transportation of passengers increased overall in the PT by 3.0%; an increase of 7.0% in the West Bank, and a decrease of 9.7% in the Gaza Strip. Meanwhile, the number of vehicles used for the transportation of goods by road in the PT declined by 23.0% during 2006 as compared to 2005 (32.9% in the West Bank, and 17.0% Gaza Strip).

The number of workers employed in the informal transportation sector in the PT in 2006 totaled 11,837, of whom 8,636 were in the West Bank, and 3,022 were in the Gaza Strip. This represents a 1.9% decline in the number of workers employed in this sector in the PT; a 1.6% decline in the remaining West Bank, and a 7.5% decline in the Gaza Strip compared to 2005. The percentage of the number of people employed in the passenger transport sub-sector of this sector was 94.2% in the West Bank, and 81.3% in the Gaza Strip.

80.6% of people employed in this sector are unwaged workers: 79.2% in the West Bank, and 83.4% in the Gaza Strip.

Value added
During 2006, the value added of this sector in the PT was $81.6 million; a rise of 4.5% compared with 2005. It rose by 9.0% in the West Bank, and declined by 7.5% in the Gaza Strip. 76.4% of the value added originated in the West Bank, and 22.2% in the Gaza Strip. Road transportation contributes by the greatest percentage of the value added; 91.4% in the PT (95.4% in the West Bank, and 77.8% in Gaza Strip) (see Figure 16).

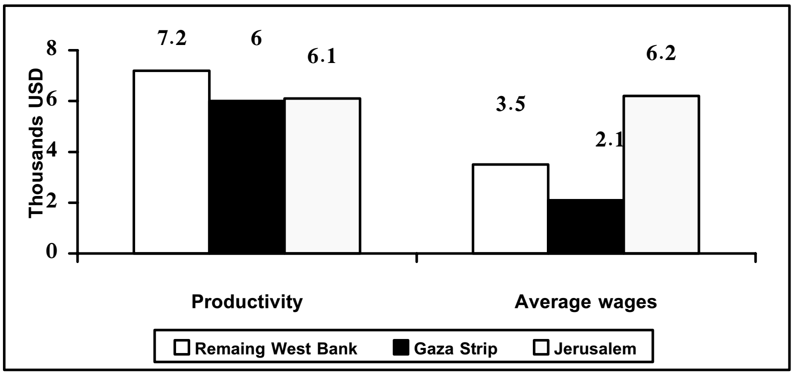
Figure 16: Relative Distribution of the Value Added in the Informal Transportation Sector in the Remaining West Bank and the Gaza Strip in 2006



Source: PCBS, the Survey on the Informal Transportation Sector.

Wages and Productivity
During 2006, the improved value added of informal transportation activities in the PT led to an increase in productivity of 6.5% ($6,890.0 per worker, compared to $6,471.1 in 2005). Productivity per worker in the remaining West Bank was higher than in Gaza; $7,217.1, and $6,000.9, respectively. Productivity per worker in the road transportation of passengers sub-sector exceeded that of the productivity per worker in the road transportation of goods sub-sector; $6,950.6, and $6,306.3, respectively.

Figure 17: Average Wages and Productivity in the Informal Transportation Sector in the Remaining West Bank and the Gaza Strip in 2006



Source: PCBS, the Survey on the Informal Transportation Sector.

The average annual wage in this sector in 2006 in the remaining West Bank was higher than in the Gaza Strip; $3,502.2, and $3,176.3, respectively. The highest wages in this sector in the remaining West Bank were in the road transportation of goods sub-sector ($4,346.5 per worker), while in the Gaza Strip, the highest wages were in the road transportation of people sub-sector.

10.3 The Industrial Sector

10.3.1 Number of Establishments

The total number of companies operating in the industrial sector during 2006 in the PT (excluding Jerusalem) declined by 7% to total 11,351 (compared with 12,211 in 2005). The average number of workers per establishment declined from 4.8 workers in 2005 to 4.4 workers in 2006.

The number of establishments engaged in the manufacture of metal products in 2006 declined by 282 compared with 2005, a decline of 31.8%. The number of establishments engaged in the food products and beverages industry declined by 146 (16.4%). The number of establishments engaged in the manufacture of non-metallic minerals and products declined by 143 (also 16.4%).

10.3.2 Employment

The number of workers in the industrial sector in the PT (excluding Jerusalem) declined by 14.2% to leave a total of 49.9 thousand workers. Reasons for this decline include the closure of many establishments due to Israeli-imposed sanctions/siege, and the fact that many workers were laid off when sales slumped. The number of workers employed in the garment industry and non-metallic mineral products industry declined by 35.6% and 25.1%, respectively. The number of workers employed in the furniture industry and other products industries also declined severely. These sub-sectors employ 47.7% of the labor force of the industrial sector (17.6%, 19.2%, and 10.9%, respectively); i.e. 23.8 thousand workers.

These sub-sectors are considered to be the major employer of workers in the industrial sector. Between them, the two main industries of the industrial sector, the food and beverages industry and the metal products industry (excluding machinery manufacture), employ 27.5% of the total number of people employed (15.7% and 11.8%, respectively) in industrial activities. The total percentage of workers employed in the five aforementioned activities amounts to 75.2% of the total number of workers employed by the industrial sector; the equivalent of 37.6 thousand workers.

10.3.3 Value Added

Contrary to what would be expected from the decrease in the number of industrial establishments and the decrease in the number of workers, the value added generated by the industrial sector increased from $605.8 million in 2005 to $666.6 million in 2006; an increase of 10%.

Two industries, namely the non-metallic mineral products industry and the tobacco products industry, contributed 79.4% (68.2% and 11.2%, respectively) to the total increase in the value added generated by the entire industrial sector. The garment industry, the furniture industry, the printing and publishing industry, the rubber and plastic products industry and industries related to the manufacture of other products contributed 81.4% (16.9%, 26.3%, 15.7%, and 22.5%, respectively) to the total reduction in the value added generated by the industrial sector.

There has been a significant shift in the contribution of industrial activities to the total value added generated by the industrial sector as a whole. The contribution of the non-metallic mineral products industry was 31.9%, the food products and beverages industry's contribution was 13.1%, and the tobacco products industry's contribution was 8.5%. In 2005, the non-metallic mineral products industry contributed 21.4%, the food industries contributed 14.8%, and the garment and furniture industries contributed 8.2% each.

10.3.4 Capital Formation

Fixed capital formation rose significantly in the industrial sector in the PT (excluding Jerusalem) between 2005 and 2006 to total $223.6 million. Compared to 2005, when it totaled $180.4 million, this represents an increase of 23.9%.

10.3.5 Wages and Productivity

The data for 2006 indicates a 4.6% rise in average wages at current prices in the industrial sector of the PT (excluding Jerusalem); $4,328 per worker per year. This increase was not the result of a change in the total amount of compensation given to workers or the decline in the number of waged workers in the industrial sector (both fell by 8.3% and 14.2% respectively).

The average worker's wage declined in each of the following sectors: radio and television equipment manufacture (21.65%), printing and publishing (25.5%), and electricity provision (17.7%). The average wage for workers in the tobacco products industry, the recycling of residue industry, and the vehicle and trailer vehicle manufacturing industry increased, however, by 21.4% and 18.2%, and 11.5%, respectively, compared to average wages in those industries in 2005.

Productivity per worker (average per worker of the value added) in the industrial sector increased by 28.2%, amounting to $13,334.7 per worker in 2006.

The rates of productivity growth varied in subsidiary industries. Productivity dropped in the printing and publishing industry by 34.1%, in the rubber and plastics products industry by 25.4%, and in the radio and television equipment manufacturing industry by 24.9%. However, it increased in the recycling of residue industry, food products and beverages industries, and the non-metallic mineral products industry by 35.6% and 18.2%, and 14.5%, respectively.

10.4 Internal Trade

The internal trade sector pertains to the following economic activities:

- ✧ The sale, maintenance and repair of motor vehicles and motorcycles, and the retail sale of vehicle fuels.
- ✧ Wholesale trade and commission trade, with the exception of motor vehicles and motorcycles.
- ✧ Retail trade excluding motor vehicles and motorcycles, and the repair of personal and household goods.

Here follows the most prominent results of the 2006 internal trade survey:

10.4.1 Number of Establishments and Employment

During 2006, the number of institutions operating in the internal trade sector declined by 1,627. The number of such institutions therefore totaled 43,912, representing a decline of 3.6% compared to figures in 2005 (45,539). The number of businesses engaged in retail activity and the repair of personal goods declined by 5.5% compared with 2005 to total 5,411. The number of businesses engaged in wholesale trading declined by 2.3%, and the number of businesses engaged in the sale and maintenance of vehicles and the sale of fuel declined by 3.3%.

The drop in the number of businesses engaged in retail trading and the repair of personal goods contributed 78.6% of the total decline, as these encompasse 84.4% of the establishments operating in this sector. The number of businesses engaged in the the sale and maintenance of vehicles and the sale of fuel decreased by 19.2%, and the number of businesses engaged in wholesale trading declined by 2.2%.

As a result of the decline in the number of businesses in this sector in 2006, the number of workers declined by 9.1%, to 83,312. The decline in the number of workers engaged in the manufacturing and maintenance of vehicles and the sale of fuel decreased by 76.2% compared with 2005. The number of workers engaged in wholesale trading decreased by 3.8%, while the number of workers engaged in retail activity and the repair of personal goods decreased by 7.1%.

Internal trade tends to be carried out by small, family-operated businesses. Most of these businesses employ no more than two people. This trend seems to be more pronounced in establishments engaged in retail activity and the repair of personal goods.

10.4.2 Value Added

Data shows an increase of 10% in the value added generated by the internal trade sector in 2006 as compared to 2005; a total of $577.6 million. The value added generated by wholesale trading rose by nearly 45% compared with 2005. This represents 29.6% of the total value added generated by the internal trade sector, while the 1.5% increase in value added generated by retail trading and the repair of personal goods sub-sector represents 56.7% of the total value added generated by this sector.

10.4.3 Wages and Productivity

Data indicates a rise in the average annual wages of workers in the internal trade sector in the PT (excluding Jerusalem) of 5.4% to $4,066.2 per worker. This is as a result of an average rise in the value of workers' compensation in this sector of 7% (to $118.4 million), and a decline in the number of workers of 9.1% compared with 2005.

The changes in the numbers of workers and value added led to an increase in the productivity per worker in this sector; productivity rose by 21% to reach $6,934.2 per worker. The highest level of productivity of all of the sub-sectors of the internal trade sector was found in the wholesale trading sub-sector; $28,248.4 per worker. Productivity per worker was lowest in the retail trading and repair of personal goods sub-sector; just $4,552.9 per worker.

10.5 The Services Sector

A survey of the services sector conducted by the Palestinian Central Bureau of Statistics encompassed the following businesses: hotels, restaurants, cafés, real estate and rental businesses, education businesses, health and social work businesses, and businesses offering other personal services. Here follows the main results of the general Services Survey of 2006:

10.5.1 Number of Establishments and Employment

The number of businesses operating in the services sector totaled 15,645 in 2006; a decline of 4.7% from 2005. 22% of the establishments operating in the services sector in the PT (excluding Jerusalem) were hotels or restaurants, and 14.5% were educational and recreational / cultural / sports businesses (9.2% and 5.8%, respectively). The number of computer and information technology (IT) businesses declined by 22.5% compared with 2005.

The number of workers in the services sector in the PT (excluding Jerusalem) was 53,754; a decline of 3% compared to 2005. The data showed a drop of 9.2% in the number of workers employed in health and social work fields; this represents 53.5% of the total decline in the number of workers in this sector.

10.5.2 Value Added

The value added generated by the services sector in the PT (excluding Jerusalem) increased in 2006 by nearly 12% to $331.8 million.

Education ranked first in terms of its contribution to the total value added; 30.2% of the total value added of the services sector in the PT (excluding Jerusalem). The health and social work sub-sector contributed 24.5%, and the hotels and restaurants sub-sector contributed 14.7%.

Data indicated a significant increase in the contribution of the real estate sub-sector and the R&D sub-sector to the total value added (153.6% and 181.8%, respectively) compared with 2005.

10.5.3 Wages and Productivity

The average annual wage in the services sector in the PT (excluding Jerusalem) increased by 9.2% to $4,906.1 per worker.

The highest average wages in the services sector were found in the real estate sub-sector; the average wage of employees of this sub-sector was $8,708 per worker. The lowest wages were found in the hotels and restaurants sub-sector in both the West Bank and Gaza Strip, where the average wage was $3,388.8 per worker.

The average productivity per worker in 2006 in the services sector in the PT (excluding Jerusalem) was $6,174.1 dollars; an increase of approximately 15.5% compared to 2005.

The highest level of productivity in the services sector was recorded in the real estate sub-sector, where the average productivity per worker was $37,690.3. The average productivity of workers in the recreational, cultural activities and sports sub-sector was $4,688.7 dollars, representing the lowest productivity of all the sub-sectors of this sector.

11. General Education

The number of schools in the PT stood at 2,415 in the academic year 2007/2008, representing an increase of 3% compared to the previous year. About three quarters of these schools were in the West Bank and one quarter in the Gaza Strip. 75.9% of schools were governmental, 11.6% were private schools, and 12.5% were UNRWA schools. 88% of private schools are in the West Bank. 71% of UNRWA schools are in the Gaza Strip.

According to preliminary data from the Ministry of Education, 23% of schools operate a "two shift" system (morning and evening). 83% of these schools are primary schools. Approximately 88% of the schools which operate according to a "two shift" system are in the Gaza Strip. 66% of such schools in the West Bank are in the Hebron governorate.

The number of students in general education in the PT totaled 1,104,209 in the academic year 2007/2008 (63.1% in the West Bank, and 36.9% in the Gaza Strip). This figure is divided roughly equally between genders. The number of students increased by 1.7% in 2007/2008 compared with the previous school year, when the number of students was 1,085,274. Governmental schools absorb 70% of the students in the PT. There is a higher percentage of government schools in the West Bank compared to the Gaza strip, and a higher the percentage of UNRWA schools in the Gaza Strip compared to the West Bank (see Table 44).

Table 44: Relative Distribution of School Students in the PT by Supervising Authority and Region in 2007/2008 (%)

Level of Schooling	Region		
	West Bank	Gaza Strip	PT
Palestinian Government (%)	76.4	59.1	70.0
UNRWA (%)	13.7	38.8	23.0
Private Schools (%)	9.9	2.1	7.0
Total (%)	100	100	100
Number	697,227	406,981	1,104,209

Source: Palestinian Ministry of Education and Higher Education, 2008, basic tables of general education in the PT 2007/2008, calculated from the Ministry's website: http://www.mohe.gov.ps

One third of the total number of students is in secondary level education, and two-thirds are in primary level education. The proportion of female students exceeds that of male students in secondary level education, despite the fact that the proportion of males in primary level education is slightly higher than that of females (see Table 45). These data indicate that the drop out rate of male students at the start of secondary level education exceeds that of female students. This situation demonstrates the value which Palestinian society places on education. There is a positive association between level of education and job opportunities for women. The high level of female education in the PT is vital to the reduction of the gender gap in Palestinian society

Table 45: Relative Distribution of Students in the PT by Level of Education and Gender in 2007/2008 (%)

Level of Schooling	Gender								
	West Bank			Gaza Strip			PT		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
Basic Stage (%)	50.3	49.7	100	50.8	49.2	100	50.5	49.5	100
Secondary Stage (%)	46.3	53.7	100	48.4	51.6	100	47.1	52.9	100
Total (%)	49.8	50.2	100	50.5	49.5	100	50.1	49.9	100
Number	326487	329120	655607	226445	222157	448602	552932	551277	1104209

Source: Palestinian Ministry of Education and Higher Education, 2008, basic tables of general education in the PT 2007/2008, calculated from the Ministry's website: http://www.mohe.gov.ps

Vocational education is still marginal in the Palestinian education sector. The percentage of students enrolled in vocational training was 1.9% of the total number of secondary school students. 67% of students in vocational education (VE) were enrolled in commercial VE, 27% in industrial VE, 3% in agricultural VE, and another 3% in Islamic law and hospitality VE. The proportion of females in secondary vocational education remained low at just 34% of the total number of students in VE; 2,392 female students during the school year 2007/2008. Female students were concentrated in the commercial VE. The percentage of students enrolled in secondary vocational education in the Gaza Strip was 4.5% of the total number of students enrolled in secondary VE; 315 students.[9]

The low percentage of students enrolled in vocational education in the PT represents a serious weakness in the general education system and calls for the implementation of official policies aimed at encouraging students into vocational education.

Class density remains high. The average number of students per class was 33.2. Average class density in Government schools was in between that of UNRWA schools and private schools. The average number of students per class was 34 in government schools, 38.1 in UNRWA schools, and 24.8 in private schools.

The number of workers employed in the Palestinian education system was 56,961 in the 2007/2008 academic year; an increase of 5.1% compared to the previous year when the number of employees was 54,181. 70.4% of these employees worked in government schools, 17.6% worked in UNRWA schools, and 12% worked in private schools. A relative decline occurred in the number of employees working for government schools, while the number of workers employed by private schools and UNRWA schools increased (The proportion of employees in government schools was 72.8% of the total number of school employees, the proportion of employees in UNRWA schools was 17%, and the proportion of employees in private schools was 10.2% in 2006/2007 academic year.[10]) Data showed that the ratio of students to teachers was 21:1.[11]

As is to be expected, Table 46 shows that most employees were teachers. The table also shows the distribution of these employees by gender.

Table 46: The Distribution of Employees in Palestinian General Education (Basic and Secondary) by Type of Work and Gender in 2007/2008

	Administrators	Teachers	Technicians	Other Employees	Janitors
Total	9.4	79.9	2.8	1.3	6.6
Males	10.0	77.2	2.8	2.1	7.8
Females	8.9	82.3	2.7	0.6	5.5

Source: Palestinian Ministry of Education and Higher Education, 2008, basic tables of general education in the PT 2007/2008, calculated from the Ministry's website: http://www.mohe.gov.ps

12. Standards of Living

2007 saw various developments in both the West Bank and the Gaza Strip. Israel laid siege to the Gaza Strip, closing border crossings and only allowing essential goods (including foodstuffs, fuel, energy, and medical supplies) through in limited quantities. In spite of the resumption of salary

9 Ministry of Education and Higher Education, 2008, Preliminary Tables of General Education in the Palestinian Territories 2007/2008, copied from the Ministry's website: http//www.mohe.gov.ps.

10 www.mohe.gov.ps. accessed on 18/1/2008.

11 Student/teacher ratio was calculated by dividing the number of students by the number of teachers, administrators and technicians.

payments to public sector employees in the Gaza Strip, the siege resulted in economic paralysis, and the inability of the private sector to carry out its activities. International sanctions were lifted from the West Bank, and international assistance to the PNA resumed giving it the ability to pay the salaries of its employees. In general, official estimates indicate a decline in the standard of living in the Gaza Strip, and an improvement in the standard of living in the West Bank in 2007 compared with the previous year.

12.1 Huge Poverty Rates

PCBS estimates indicate a decline in poverty rates in the West Bank, and an increase in poverty rates in the Gaza Strip in 2007. Overall, very high poverty rates existed in the PT.[12]

Half of the population in the Gaza Strip lived below the poverty line according to actual consumption. PCBS data indicates that more than four-fifths of the population of the Gaza Strip were unable to obtain basic necessities. The incomes of 79.3%[13] of families in the Gaza Strip meant that they were living below than the poverty line in 2006. Conditions worsened in the Gaza Strip in 2007, especially after the collapse of the private sector, and the rise of unemployment rates to record levels.

These estimates correspond with the estimates of international institutions: the report of the United Nations Office for the Coordination of Humanitarian Affairs in the Occupied Palestinian Territories (OPT) noted that poverty in the Gaza Strip had reached unprecedented levels. Eight out of every ten families were living below the poverty line. 80% of families in the Gaza Strip received humanitarian aid (compared with 63% in 2006).[14]

Estimates by the World Food Programme (WFP) indicate that only 41% of the needs for imported foodstuffs and other commercial imports were met. There were shortages of many different types of foodstuffs, including wheat, vegetable oil, dairy products and baby milk. According to some sources, 62% of the families of the Gaza Strip reduced their spending; 93.5% reduced spending on food, particularly on meat (98%) and dairy products (86%).[15]

12.2 Poverty in 2006

The PCBS published a detailed report on poverty in the PT in 2006: a year which saw stringent international sanctions imposed upon the PNA exacerbate the economic crisis, and increased suffering in the West Bank and Gaza Strip. One of the most prominent direct effects of these sanctions was the inability of the PNA to pay the salaries of its employees on a regular basis. This meant that many public sector employees were reduced to unprecedented levels of poverty.

As a result of these sanctions, poverty rates rose in the PT. 30.8% of Palestinian families fell below the poverty line (compared to 29.5% in 2005). Poverty rates according to the family income definition showed the depth of the crisis faced by Palestinian society: 56.8% of families were living below the poverty line. According to table 47, poverty in the Gaza Strip reached unprecedented levels: eight out of every ten families lived below the poverty line of NIS 2,300 ($594) per family per month. This was a substantial rise compared to the levels of 2005, when the ratio was 63.1%. Of these families, up to 66.7% were living in absolute poverty, meaning that they were living on less than NIS 1,837, or $474 per month. In general, poverty rates in the Gaza Strip exceeded those in the West Bank by more than 30%.

[12] PCBS, 2008, The Harvest of 2007.
[13] PCBS, 2007, Poverty in the Palestinian Territories 2006, Ramallah, Palestine.
[14] The Office of the UN Special Coordinator of Humanitarian Affairs, 2007, The Imposed Closure on Gaza Strip: Economic and Humanitarian Effects.
[15] Ibid.

Table 47: Poverty Rates in the PT by Region, 2005-2006

Year	PT	West Bank	Gaza Strip
Poverty according to Actual Consumption			
2006 (%)	30.8	24.0	50.7
2005 (%)	29.5	22.5	43.7
Percentage of Change	4.4	6.7	16.0
Poverty according to Income			
2006 (%)	56.8	49.1	79.3
2005 (%)	51.5	45.7	63.1
Percentage of Change	10.3	7.4	25.7

Source: PCBS, 2007. Poverty in the Palestinian Territories 2006, Ramallah, Palestine.
PCBS, 2006. Poverty in the Palestinian Territories 2005, Ramallah, Palestine.

The poverty rate based on consumption is lower than the income-defined poverty rate. This is due to the assistance provided to needy families on one hand, and the coping mechanisms adopted by these families to compensate for significant decline in income on the other. PCBS data showed that emergency assistance reduced consumption-defined poverty by 4.9 points (the poverty rate declined from 35.7% to 30.8%). Emergency assistance contributed to a reduction in absolute poverty from 24% to 18.5%. In general, households that relied on assistance as a source of income became worse off than other families. Typically, assistance was not sufficient to remove them from the cycle of poverty, however, it did play an ancillary role in helping some families out of poverty, especially families that relied on sources of income other than aid for the provision of their main basic needs.

In the same context, adjustment mechanisms allowed families to provide for their needs through a variety of sources such as savings, the sale of property or real estate, loans from different sources, or assistance from friends and family. The results of a 2006 survey on spending and consumption showed that 89% of families in the PT relied on disposable income to cover expenses in 2006. 74.7% of families had to defer payment of outstanding invoices, and of these, 66.4% resorted to decreased consumption, 35.3% resorted to borrowing, and 16.0% resorted to fishing or the cultivation of land or livestock.[16]

In order to verify the efficiency of support for the poor, two types of potential errors are monitored: the first error is leakage, which is calculated by dividing the number of aid recipients who were not in need of emergency assistance by the total number of individuals who received assistance. The second potential error is the under-coverage of needy groups; this means the proportion of poor people who did not receive assistance. The rate of leakage for emergency assistance in the PT in 2006 was 56.6%, while the rate of under-coverage was 28.6%.

In the West Bank, the leakage rate was 67.5%, while the rate of under-coverage was 47.8%. In the Gaza Strip, the rate of leakage was 44.6%, while the rate of under-coverage was 6.2%. It is noteworthy that the low rate of under-coverage in the Gaza Strip resulted from the dependence of the majority of families on food aid provided by international and Arabic institutions.

In summary, the continued Israeli siege on the PT, in particular the stringent siege on the Gaza Strip, is responsible for a catastrophic deterioration in living conditions, particularly in the Gaza Strip.

[16] PCBS, 2007. Poverty in the Palestinian Territories 2006. Ramallah, Palestine.

12.3 Consideration of Emigration

The increase in the number of people considering emigration is directly attributable to worsening economic conditions and lack of safety in the PT. Emigration has an enormously negative effect on society due to the fact that it is young people, who should be most active in economic, political and social terms, who are the most likely to emigrate. According to official data, 45% of young men and 18% of young women (15-29 years) were considering emigration (see Table 48).[17]

Table 48: Reasons of Youth for Considering Emigration (% of all those considering emigration), 2007

Reason	Males	Females
Economic Condition	96	66
Absence of Security and Safety	80	73
Political Reasons	62	33
Social Reasons	48	45

Source: PCBS, 2007. Youth of Palestine: Figures and Statistics.

12.4 The Impact of the Closure of the Gaza Strip on Health Conditions

The capacity of the health sector to provide health services to the citizens of the Gaza Strip declined since the start of the Israeli-imposed siege. 92 different types of medical items ran out before the end of 2007, and stocks of 84 other items were dangerously depleted. 134 medical devices, including 22 dialysis machines, were unusable because of the lack of spare parts needed for their repair. In addition to this, WHO data indicates that hundreds of patients urgently requiring specialized surgery, specifically brain, nerve, bone, cancer, kidney and heart surgery, were not able to travel abroad for treatment. WHO statistics reveal that, since November, Israeli authorities refused to give around 720 patients permission to leave the Gaza Strip for medical treatment. Ministry of Health data indicates that more than 1,540 patients, of whom 270 are critical cases, needed medical treatment abroad. Ministry of Health figures show that 70 people died as a direct after of being refused permission to leave the Gaza Strip for medical treatment

According to reports from the Red Cross, which facilitates the passage of patients from Gaza to Israel or through it, the number of patients who were able to leave before the siege was between 300 to 400 cases per month. After the siege, however, this number dropped significantly to around 100 cases per month.[18]

12.5 Assistance Provided to Needy Families

The degree of dependence of Palestinian families on social assistance has increased dramatically. The Ministry of Social Affairs, UNRWA, the World Food Program, and non-governmental organizations (in particular the Zakat committees) are the main providers of assistance to the PT. One of the most important statistical variables in this area was the rebuilding the Zakat committees and their conversion to a government institution (through the Zakat Fund at the Ministry of Awqaf (religious endowments). We do not have data on the amount of support they provided after this conversion. The amount of support provided by UNRWA and the World Food Program increased, especially after sanctions and siege were imposed.

[17] According to the data of the PCBS, this age group represents 27% of the Palestinian population in the PT.
[18] The Popular Committee to Combat the Siege, 2008. After 7 Months of Siege.

12.6 Programs of the Ministry of Social Affairs

The Ministry of Social Affairs (MOSA) had planned to gradually phase out its traditional welfare program, The Assistance to Poor Families Program, and replace it with a social protection program. However, after doubts developed about the effectiveness of the new program, it was decided to retain the old program and implement supplementary programs with it.

47 thousand families in the West Bank and Gaza Strip, about 3.5% of the population of the PT, are currently registered in this program. These families receive one or more of a variety of different types of assistance (cash, rehabilitation, health insurance, etc).

Government aid does not always reach target families in the Gaza Strip, however, because of the regional political divide, and differing loyalties of Ministry officials.

Assistance provided through the Ministry of Social Affairs in 2007:[19]

1. **Governmental assistance** (The Ministry of Finance of the Palestinian National Authority):
   - ✧ Monthly cash assistance provided to relieve social issues. 42,000 families received bank checks in 2007.
   - ✧ Health insurance assistance provided to 44,000 families with social issues. This assistance contributes 50% of the value of health insurance. The Ministry of Health pays the rest.
   - ✧ Social welfare assistance (rehabilitation, training, accommodation, protection).
   - ✧ Emergency assistance to needy families. 117,312 families each received one hundred dollars; a total of $11,731,200.

2. **International assistance**:
   - ✧ European Union Grants: 35,669 families received three installments of NIS 1,000 each in 2007. 41,000 families received a fourth installment of the same amount.
   - ✧ The World Food Program: 42,000 families received foodstuffs from the World Food Program at six different points throughout 2007. The total value of food distributed at each of these six points was $2,478,369.
   - ✧ The Program of Social Protection: 2,300 families received payments in three installments from the Program of Social Protection. This scope of this program is expected to increase to encompass 3,000 families. The total value of each installment was half a million dollars.
   - ✧ The Spanish Grant: 21,000 families in the West Bank and Gaza Strip benefited from food packages from "The Spanish Grant". The total value of these packages was $100,000.
   - ✧ Jordanian and Russian Grants: 5,148 packages of foodstuffs, 1,804 packages of canned meat, 96 sacks of sugar, and 429 sacks of rice were distributed to needy families.

3. **Arab aid**:
   - ✧ The Jordan Food Basket: food packages worth NIS 100 each were distributed to 3,920 families; a total value of NIS 392,000.
   - ✧ United Arab Emirates Grants: (1) 400 breakfast meals per day provided during the last ten days of Ramadan by Sheikh Hamdan bin Zayed Al Nahyan; 4,000 meals with a total value of $100,000. (2) 11,086 packages of essential foodstuffs (sugar, rice, etc) provided by Sheikh Khalifa Bin Zayed distributed during Ramadan; total value $250,000. (3) The Emarati Red Crescent Grant: 4,400 families received sheep for sacrifices (A'dahi) the total value of which was $95,000 (West Bank ($61,000), Gaza Strip ($34,000)). (4) Emarati Red Crescent foodstuffs packages for families with social issues; total value $57,000.

12.7 UNRWA Programs

The UNRWA is directly responsible for providing essential services to Palestinian refugees, and therefore it is the largest provider of assistance in the PT. Its services include: education, health,

[19] Palestinian Ministry of Social Affairs, Report on Assistance Provided by the Ministry of Social Affairs, 2007.

and social welfare programs aimed at providing reasonable living conditions for refugees. UNWRA provides periodic assistance to poor, socially marginalized families, classified as 'Social Hardship Cases'. 88 thousand people in the Gaza Strip (i.e. 8% of refugees there) and 33 thousand people in the West Bank (5% of refugees there) received assistance from this program in 2007. The number of beneficiaries declined in the West Bank and increased in the Gaza Strip compared to end of 2005 when there were about 40 thousand beneficiaries in the West Bank, and 84 thousand beneficiaries in the Gaza Strip. The budget allocated for relief and social services programs (which includes regular aid programs) amounted to $21.5 million in 2007 (it was $20.9 million in 2006).[20]

UNRWA has provided emergency assistance to Palestinian refugees since 2000, in response to the rapid deterioration of economic conditions in the OPT. It provides relief, assistance, employment, rehabilitation centres and, in selected cases, cash aid. Beneficiaries are only permitted to receive one type of aid at a time. The emergency assistance budget comes mainly from donors in response to urgent appeals. It amounted to approximately $246 million in 2007. In 2007 the UNRWA emergency food assistance program targeted 158 thousand refugee families in the Gaza Strip (791,450 individuals), and 102 thousand refugee families in the West Bank (612,000 individuals). Aid administered through this program is in addition to other aid, particularly employment aid, which has benefited approximately 100 thousand unemployed Gazan refugees since 2000. Employment aid was particularly needed in the latter half of 2007 due to the seige and the huge rise in unemplyment resulting from the shortage of raw materials for manufacturing.[21]

In response to the continued deterioration of the situation of the Gaza Strip, the 2008 emergency appeal will target apporximately 139 thousand refugee families in the Gaza Strip (61% of the total number of refugee families there), and 30 thousand families in the West Bank (16% of the total number of refugee families there). The emergency food aid budget will amount to $79.6 million.[22]

UNRWA is currently trying to raise funds of approximately $80.4 million in order to create 4.7 million working days in Gaza Strip, and 1.2 million working days in the West Bank within the framework of the Emergency Employment Program. This is expected to benefit around 56 thousand refugees in the Gaza Strip, and 34.5 thousand refugees in the West Bank. UNRWA is also trying to raise funds of $77 million for direct cash assistance for approximately 77 thousand families in the Gaza Strip, and $18 million for approximately 60 thousand families in the West Bank in 2008.

UNRWA programs also provide emergency health assistance, create jobs indirectly, and improve and renovate houses that have been damaged or destroyed by Israeli bombing. The total 2007 UNRWA emergency assistance budget for the OPT was $237.7 million.

12.8 The World Food Program (WFP)

The WFP works to provide food assistance to needy families through several different relief programs. The WFP usually provides assistance through third parties (such as foreign development agencies or the UNDP), or in partnership with third parties (such as the PNA, UNRWA, or Palestinian NGOs). The WFP has expanded its programs in the PT in response to the latest developments. The WFP works to provide food to non-refugee families. 60% of the non-refugee families (252 thousand people) in the Gaza Strip depended entirely on WFP assistance for food during 2007. WFP initiatives also targeted 413 thousand people in the West Bank in the same year.

20 UNRWA in Figures, http://www.un.org./unrwa, mid 2007.
21 UNRWA Urgent Appeal 2007, http://www.un.org/unrwa.
22 UNRWA Urgent Appeal 2007, http://www.un.org/unrwa.

13. Gender Issues

This section seeks to monitor the gender gap in the PT through data that has recently been made available on the following areas: educational characteristics and services, participation in public life and decision-making, and participation in the labor market. In general, improvements in the level of women's participation in public life is slow, and the wide gap between the genders remains. This gap has shrunk more rapidly, however, in the educational arena, but only in disciplines that women tend to prefer. Female enrollment in modern disciplines, particularly those associated with the economy, is still less than that of males. Additional data on such new disciplines, and trends of women's participation in them, is still needed.

13.1 Educational Characteristics

Official data on education shows a general shrinkage in the gender gap in the educational arena. Official estimates show that the illiteracy rate in the PT in 2006 was 6.5%; or about 138 thousand illiterate adults (31,082 males and 107,183 females). PCBS data shows that the gap between males and females in this area has shrunk during the past decade; the illiteracy rate of males decreased from 8.5% in 1995 to 2.9% in 2006, while the female illiteracy rate fell from 23% to 10.2% in the same period. The gender gap is widening, however, in illiteracy in the rural areas, as shown in Table 49.

Table 49: Relative Distribution of Illiterates in the Palestinian Territories by Populated Area and Gender in 2006

Gender	Populated Area			
	Urban	Rural	Refugee Camps	Total
Males	2.7	3.5	2.8	2.9
Females	8.4	14.1	9.6	10.2

Source: PCBS, Press Release on the International Woman's Day, 8 September, 2007.

Table 50 shows the gender gap in relation to different levels of education. There is greater disparity between in the numbers of men and women in the higher levels of education (bachelor and higher, and to a lesser extent at diploma level), as well as in the proportion of illiterate individuals. The illiteracy rate is highest amongst older women. Gender differences in illiteracy rates are in the under 40 age cohort. The data shows a reduction in the gender gap in university level education. The proportion of females in with a bachelor degree or higher increased from 3.8% in 2000 to 6.2% in 2006, while the proportion of males with a bachelor degree increased from 8.4% in 2000 to 9.6% during 2006.

Table 50: Palestinians 15 Years and above in the Palestinian Territories by Educational Level and Gender, 2006

Gender	Educational Level (%)						
	Illiterate	Acquainted (can read and write)	Elementary	Preparatory	Secondary	Diploma	Bachelor Degree and higher
Males	2.9	7.3	18.8	36.3	20.0	5.1	9.6
Females	10.2	7.1	16.5	35.1	20.4	4.6	6.1

Source: PCBS, 2007. Woman and Man: Issues and Statistics 2007. Ramallah, Palestine.

The indicators of enrollment in education and the proportion of both genders in different educational stages indicate a general reduction of the gender gap in educational opportunities. The gross enrollment rate of males in primary stage education was 88.6% in the 2006/2007 school year, and 90.0% among females. Gross enrollment rates in secondary level education were 70.3% among males and 81.6% among females during the same school year.

The data on the distribution of students in local institutions of higher education confirms the reduction of the gender gap in education, as the percentage of girls was 53% of the total students in these institutions in the academic year 2005/2006.[23] It should be noted that this data does not mean that opportunities for girls are better than for boys in terms of enrollment in higher education, because we lack data on higher education outside the PT, where the enrollment ratio may be at larger for males than females. This is due to the culture of the community which still shows a reservation to the enrollment of girls in higher education in the Diaspora, especially in the undergraduate level.

The percentage of girls in vocational and technical education is still low, although the total enrollment ratio in vocational and technical education is also low. The concentration of the girls in specific disciplines (education, social service and humanities, and business) can be attributed to employment opportunities after graduation. Women tend to be concentrated in specific sectors of the labor market.

13.2 Women and Decision Making

Available data shows a marked improvement in the participation of women in public life and decision-making processes in Palestinian society over the past decade. Men remain dominant in these areas, however, despite the adoption of a "women's quota" in Legislative Council and local authority elections. There have been 2-3 female ministers in every Palestinian government, however, primarily due to the women's quota, the proportion of women in the Legislative Council has increased from 5.7% in the first government, to 12.9% in the current one.[24]

The proportion of women in local councils has increased from 5.7% in 1996 to 17% in 2006.[25] This improvement is due to positive discrimination implemented by the women's quota. Data on the nature and level of participation of these women in local governments is not available, however. Many women's participation is superficial, especially in rural areas. Objective assessment of the positive change in the participation of women in local government would require the monitoring of the roles women perform in these councils, as well as monitoring of cultural and social conditions that encourage or hinder the development of women's roles in these areas.

Data from the Ministry of Women's Affairs indicates that the proportion of women in senior level posts in the ministries and institutions of the PNA was 13.5% in 2006. This was not expected to change in 2007. Upper level posts are usually filled by appointment. Table 51 shows the percentage of women in several important government posts. Proportionately, there are fewer women employed in the most important posts, and more women employed in lower and middle level posts.

Table 51: The Distribution of Employees in Selected Government Posts in 2006

Post/Sector	Males	Females	Total
Employees in the Foreign Affairs Ministry	75.4	24.6	100
Ambassadors	92.6	7.4	100
Judges	88.8	11.2	100
Public Attorneys	87.9	12.1	100

Source: PCBS, 2007. Woman and Man: Issues and Statistics 2007. Ramallah, Palestine.

23 Palestinian Ministry of Education and Higher Education, General Department of Scientific Research and Development, 2006. **Students in Higher Education**, Reports and Studies, Report No. 1, Ramallah, Palestine.

24 PCBS, 2007. Press Release on the Eve of 21 March, 2007.

25 Ibid.

Table 52: Members' Distribution in NGO's Governing Bodies by Gender in 2007

Governing Bodies	Males (%)	Females (%)	Total	
			(%)	Number*
General Assembly	64	36	100	265365
Board of Trustees	70	30	100	2342
Executive Committee	70	30	100	10756
Total	65	35	100	278463

Source: MAS, Palestinian NGOs 2007, unpublished data.
* A person might be a member in more than one NGO at the same time, i.e. the figures above represent number of memberships rather than persons.

Data suggests that the best opportunites for women exist in non-governmental organizations, in which 23% of General Directors were women in 2007. As can be seen in Table 52, about one-third of the members of the governing bodies of these organizations are women. The proportion of women is higher in governing bodies than in executive committees and boards of trustees. It should be noted, however, that NGO general assemblies tend to poorly attended, and participation can be superficial. Membership of executive committees is a more reliable indicator of women's roles in these organisations as it requires the performance of tasks related to planning and management.

Women have a modest presence in trade unions, making up just 8.4% of the total membership of Palestinian trade unions in 2006. This percentage is consistent with the low proportion of women in the labor force in general. Their presence in professional unions is slightly better due to the fact that professions such as medicine and pharmacy require membership of a union. The proportion of women in occupations with high social status is low. The proportion of women working in stereotypically feminine professions, such as nursing, is far higher.

Table 53: The Distribution of Trade Unions Members by Gender in 2006

Profession	Males	Females	Total
MDs	87.9	12.1	100
Dentists	83.1	16.9	100
Pharmacists	55.0	45.0	100
Nurses	46.9	53.1	100
Practitioner Lawyers	88.8	11.2	100

Source: PCBS, 2007. Woman and Man: Issues and Statistics 2007. Ramallah, Palestine.

In general, the position of women in the NGO sector is better than in the government and private sectors. This will be discussed later.

13.3 Gender Issues in the Labor Market

The gender gap in the labor market is apparent in the participation rate of women in the labor force; 15.7% for women compared to 69.3% for males in the third quarter of 2007. The gender gap is shrinking, however, amongst those with a higher than secondary level education; 39.3% for women, and 71.2% for men in the same period.[26] The gender gap in the participation rate explains the following indicators of the gender gap in the labor market:

[26] PCBS, 2007. Labor Force Survey: July-September 2007 Round (3rd quarter), Press Release on the Results of the Survey. Ramallah, Palestine.

1. Women are concentrated in two professional categories: professionals and specialists, and skilled agricultural workers. This is consistent with the economic sectors in which women are concentrated (agriculture and services) (see Table 54). Uneducated women are concentrated in agricultural work, while educated women are concentrated in service activities, especially education, nursing and secretarial work, i.e. jobs and professions in which remain far from the decision-making process.

2. Unemployment rate and daily wage indicators do not reflect the size of the gender gap in these areas by themselves. Data indicates that the unemployment rate among women is lower than among males. This does not mean, however, that job opportunities are better for women, rather, it is due to the low proportion of women participating in the labor market, and the tendency of women to redefine their relation to the labor market if their efforts to secure employment consistently fail over a long period of time.

Table 54: Some Indicators of the Gender Gap in the Palestinian Labor Market during the 3rd Quarter of 2007

Indicator	Males	Females
Labor Force Participation Rate (%)	69.3	15.7
Distribution of Workers by Profession*		
Professionals, Specialists, Assistants and Clerks (%)	18.2	36.9
Skilled Workers in Agriculture (%)	9.7	38.6
Other Profession (%)	82.1	24.5
Economic Sectors		
Agriculture, Hunting, Forestry, and Fishing (%)	10.1	37.4
Services Sector (%)	33.1	44.9
Other Sectors (%)	55.8	17.7
Status at Work		
Business Owner (%)	5.1	0.5
Self-Employed (%)	25.8	13.2
Waged Employee (%)	61.7	50.5
Unpaid Family Member (%)	7.4	35.6
Other Indicators		
Unemployment Rate (%)	23.4	22.1
Average Daily Wage (NIS)	74.6	63.6

Source: PCBS, 2007. Woman and Man: Issues and Statistics 2007. Ramallah, Palestine.

* Data pertain to the 2nd quarter of 2007.

NGOs, large private institutions, and the public sector have equal pay policies (there are some differences in the calculation of allowances, particularly social allowances). There is a greater degree of disparity in the pay of men and women in the vast majority of private institutions. In the same context, women are concentrated in specific occupations, as previously discussed, and this is reflected in the low rates of pay women receive compared to men.

14. Security Unrest and Proliferation of Arms

2007 saw a marked rise internal violence in the PT. There was an increase in the number of firearms incidents, incidents of revenge related violence, and assaults on private and public property, as well as severe internal fighting between Hamas and Fatah in the Gaza Strip in June.

There is no data on security unrest, firearms incidents, or the number of incidents of people taking the law into their own hands in the West Bank during 2007, and the statistics of local human rights organizations remain incomplete. Such phenomena include clashes between families and security apparatus, family feuds, honor killings, revenge related violence, assaults on public and private institutions and property, and kidnapping of public figures.

Table 55: Classification of Security Unrest and Internal Fighting Incidents in the Gaza Strip during 2007

Classification	Number of Incidents
Family feud	67
Shooting	152
Armed Clashes	341
Kidnapping and Withholding	151
Killing	49
Assault against employees or public figures	52
Closure of roads	7
Assault against institutions	206
Destruction	2
Burning	15
Explosive devices	9
Internal Explosions	42
Total	**1,129**

Source: www.mezan.org, accessed on 8 January, 2008

The Mezan Center issued a report on the most prominent manifestations of security unrest in the Gaza Strip in 2007. It shows a significant increase in the number of people killed as a result of security unrest and internal strife. 427 people were killed in the Gaza Strip, including 27 women and 28 children. 1947 people were injured, including 81 women and 217 children. 294 public figures and two foreign nationals were kidnapped.

The Gaza Strip has witnessed a dramatic escalation in security chaos and internal fighting over the past few years. The number of recorded crimes increased from 3 in 2002 to 869 in 2006, and 1,129 in 2007. Table 53 shows the distribution of recorded crimes in the Gaza Strip by type.

15. Israeli Oppression / Human Rights Abuses

Israeli military oppression escalated since June 2007, culminating in the full closure of the Gaza Strip. Only basic and essential goods and small numbers of people were allowed in and out. This created a humanitarian disaster, and most Gazans are now dependent on international institutions for food after the collapse of the private sector, and increasing rates of unemployment and poverty. Health institutions were severely affected, and large numbers of people died due to a dire lack of medicines and medical equipment, and because they were prevented from traveling abroad for treatment. The closure of the border crossing also created great distress for large the numbers of people who were outside at the time of the closure and were hence unable to return to their families and businesses. It also affected Haj pilgrims who were denied entry on their return from Mecca. Several died before the Egyptian authorities agreed to open the Rafah crossing for them.

The Israeli Air force also continued to bomb various parts of the Gaza Strip, and military incursions, assassinations, and the systematic destruction of private and public property continued in the West Bank and Gaza Strip. The Israeli military also continued to divided and cantonise the West Bank.

15.1 The Number of Dead and Injured

The monthly reports of the Palestinian Monitoring Group (PMG) indicate that the number of people killed increased from 178 in the first half of 2007 to 251 in the second. The Office of the Special Coordinator of the United Nations for Humanitarian Affairs recorded 673 killings in 2006. 953 Palestinians were injured during the second half of 2007, including 157 children. There were 18 assassinations in the first half of 2007, and 5 in the second.

15.2 Obstacles to Movement and Transportation

The Palestinian Monitoring Group (PMG) recorded 2,608 sudden military roadblocks ("flying checkpoints") in the West Bank during the second half of 2007. The Office of the Special Coordinator of the United Nations Department of Humanitarian Affairs recorded 5,312 temporary roadblocks between the January and October 2007. There were 816 total closures of the crossings with Israel during the same period. Arafat Airport has remained closed since the beginning of the *Intifada*. The Israeli occupation forces imposed 73 curfews on different communities during the second half of 2007. Permanent roadblocks, the rigors of which are comparable to most border crossing, have become part of the ordinary Palestinian's everday life. Citizens are frequently subjected to lengthy and humiliating delays at these checkpoints, and are sometimes subjected to interrogation. The checkpoints are frequently closed for long periods under the pretext of "security measures", which effectively isolate the different towns and cities of the West Bank from one another, and seperate the north from the center, and the center from the south.

15.3 Assaults on Education and Health

Israeli assaults on the Palestinian education sector numbered 14 in the second half of 2007. These included intrusions into schools, searches of schools, seiges of schools, and troop deployments in areas surrounding schools.

There were 20 assaults on the health sector by Israeli forces in the second half of 2007. These included the prevention of the movement of ambulances. The effects of the siege of Gaza Strip on health services were addressed in a previous section.

15.4 Assaults on Properties and House Demolitions

Israeli forces demolished 35 houses during the second half of 2007. They also occupied 249 houses and used them for military purposes for different lengths of time. The PMG recorded 594 assaults on Palestinian property. These included the damage or destruction of agricultural lands, trees, farms, shops, and cars in the West Bank and Gaza Strip, and the destruction of infrastructure of the Gaza Strip.

15.5 Settlement Activities and Settlers Assaults

The PMG recorded 27 settlement activities during the second half of 2007. These activities included confiscation of lands to establish security fences and parking lots for military vehicles in the PT, the return to deserted settlements, and the expansion and building of roads for the use of settlers.

Israeli settlers continued to assault Palestinian citizens and their property. 188 such assaults were recorded in the second half of 2007. These included the shooting of bullets in the direction of Palestinian citizens in the Nablus and Jenin Governorates, assaults on Palestinian citizens by striking or throwing stones at them, intrusion into the lands, villages and homes of Palestinians citizens, theft of their sheep, and destruction of their trees. Settlers also prevented Palestinians from going to their lands, and attempted to establish new settlements. They also occupied the roof of the Al-Aqtab Mosque in the old city of Hebron and erected a building on top of it.

15.6 Palestinian Prisoners in Israeli Prisons

2007 saw a remarkable rise in the number of arrests of Palestinian activists by Israeli occupation authorities. According to data from the Ministry of Released and Prisoners' Affairs (MRPA), arrests increased by 34.2% in 2007 compared with 2006. Israeli occupation forces arrested 7,612 citizens in 2007; an average of 21 arrests per day. 5,671 citizens were arrested in 2006; an average of 15.5 per day.

According to the MRPA report, the vast majority of those who arrested during 2007 were from the West Bank (about 90%). A small number of Palestinians were also arrested in the occupied areas of 1948. Those arrested included children and the elderly, minors and mothers, pregnant women, doctors, political leaders, deputies, and political ministers.

Total Number of Prisoners

The number of Palestinian prisoners in Israeli prisons and detention camps was approximately 10,400 at the end of 2007. The vast majority of these were from the West Bank (8,816 detainees), 820 were from the Gaza Strip, 540 were from Jerusalem, and 154 were Palestinians from the occupied areas of 1948. With the exception of 540 detainees, all of these prisoners were arrested during the *Al-Aqsa Intifada*. 48% of there prisoners had been sentenced, 43% were being held pending trial, and 9% were in administrative detention, i.e. they were being detained without any specific charge.

In spite of the release of more than a thousand Palestinian prisoners during 2007 in a professed act of good faith by the Israeli government, the number of Palestinian prisoners in Israeli prisons has actually increased during 2007 compared with 2006. Israeli forces arrested 220 children in 2007, dozens of whom are dozens still under arrest. It is worth mentioning that some of the prisoners mentioned in the previous paragraph entered Israeli prisons as children, and are still incarcerated after reaching their majority. The total number of children currently detained in Israeli jails is 350. These children are incarcerated with the adult prison population in many different institutions, and are unable to continue their education.

The MRPA report states that 700 female prisoners were arrested during the *Al-Aqsa Intifada*, of whom about 60 who were arrested during 2007. 97 women, including several pregnant women and mothers, are still incarcerated. The vast majority of the female prison population is from the West Bank and the territories occupied in 1948; only 4 are from the Gaza Strip. Dr. Mariam Saleh, who was arrested in 2007, was the first female member of the Legislative Council to be arrested.

The report showed that at the end of 2007, there were 232 captives who had spent more than fifteen years in jail. 73 of these prisoners had spent more than twenty years in jail, and 10 had been incarcerated for more than a quarter of a century. Said Al-Atabeh is currently in his thirty first year of incarceration. This makes him the longest serving prisoner in Israeli jails. His name is registered with the Guinness World Records Authority.

Health conditions in prisons are dire. The report states that there are hundreds of prisoners who are suffering from serious illnesses requiring urgent operations, however, the Israeli prison administration department repeatedly rejects MRPA demands to provide medical care for prisoners.

193 prisoners have died in Israeli jails since 1967, 7 of whom died in 2007. 70 prisoners died whilst being tortured, 45 died due to medical negligence, and 75 were deliberately murdered.[27]

[27] The Ministry of Released and Prisoners' Affairs, 2008, the 2007 Harvest of Prisoners.