FOREWORD

This issue of the monitor illustrates the socioeconomic developments in the West Bank and Gaza Strip, particularly in the first quarter of 2008. Most alarmingly of these developments is the separation between the Hamas-dominated de facto government in Gaza and the PA caretaker government in Ramallah since June 2007. Not only did this separation threaten the Palestinian national project of freedom and independence, it furthermore did have a catastrophic economic impact particularly in   Gaza Strip. The situation in Gaza, during the first quarter of the year, is characterized by a slow down in economic activity to unprecedented low levels, creating mass unemployment and dangerous spread of poverty.

Continuing the practice started in the previous issue, special boxes have been devoted to important topics related to local, or regional, or international events. This issue contains three such boxes: the first commemorates the passage of 60 years on the Palestinian catastrophe (Alnakba) of 1948. It identifies certain important key factors in the Arab-Israeli conflict, and the resistance of the Palestinian people to the Zionist project. The second box presents a quantitative description of the Palestinian prisoners of war in Israeli prisons and their human suffering. The third box deals with the recent amendments introduced to the Palestinian Income Tax Law, and their expected short and long terms impacts on economic activity.

In closing, we would like to renew our commitment to continuing communication with our readers, with the purpose of acting upon their comments and suggestions for developing the various aspects of the monitor so as to suit their wants and needs. Our thanks go to the taskforces in the three intuitions responsible for preparing and editing the monitor.

Mohammad Nasr
Director General
Palestine Economic Policy
Research Institute (MAS)

Luay Shabaneh
President
Palestinian Central Bureau
Of Statistics (PCBS)

Jehad Alwazir
Governor
Palestine Monetary Authority
(PMA)

EXECUTIVE SUMMARY

Economic Activity: Palestinian GDP witnessed an overall decrease of 2.1% in the first quarter of 2008 compared to the last quarter of 2007. Consequently, GDP per capita also decreased by 7.4% for the same period. Initial estimates of GDP for 2008 show that it forms only 70% of that of the year 1999.

Labour Market: Participation in the labour force fell to 40.6% in the first quarter of 2008 compared to the previous quarter, accordingly unemployment rate increased to 22.6%. In the same period average daily wages increased by 7.3%, and vacancies advertised in newspapers increased by 26%.

Public Finance: Total government revenues totaled $372 million in the first quarter of 2008, 28.1% of those where domestic revenues. While current expenditure reached $705 million, an increase of 29% from the planned budget for the year. Almost 68% of current expenditure was salaries and salary arrears.

Banking: Banks' assets increased by 6.7% in the first quarter of 2008 compared to the last quarter of 2007 arriving at $7471.9 million, the value of credit facilities formed 23.7% of total assets, while private sector deposits formed 63.9% of total liabilities. External investments of banks totaled 42.9% of total assets.

Palestine Securities Exchange: The Al-Quds index of leading shares increased by 9.26% in March 2008 compared to February, this was due mainly to the increase in the banking, insurance and service sectors' companies. 105 million shares where traded throughout the first quarter of 2008, with a trading value of $ 346 million. Market value of listed companies also increased by 7.4% compared to the fourth quarter of 2007.

Prices and Purchasing Power: when comparing the average CPI in the first quarter of 2008 compared to the average of the previous quarter, CPI has increased by 2.72%, while the increase would reach 10.3% compared to the first quarter of 2007. The major soaring in prices originated from the Gaza strip (4.01%) due to the rise in food expenditure group. Also, exchange rates of the US dollar decreased by 9.9% in the first quarter, leading to a decrease in purchasing power in the US dollar (13.4%) and Jordanian Dinar (13.6%).

Tourism: 82 hotels operated in the Palestinian Territory during the first quarter of 2008 with a total of 86,684 visitors, 43.6% of them stayed in Jerusalem hotels. The number of employees fell by 2.9% for the same period compared to the previous quarter.

Company Registration: The number of newly registered companies decreased in the first quarter of 2008 by 5%, totaling 247 companies, all of these were registered in the West Bank while none were so in the Gaza Strip. On another level, trade and services companies claimed the highest share of capital for newly registered companies, achieving 33.7% and 31.3% respectively.

Industry Expectations: 22.8% of owners and managers of industrial firms believed that their companies' general performance improved during February, 58.4% expected it to improve in the following six months. While 21.4% saw that production improved, and 10.7% that employment did.

Palestinian after 60 years of the catastrophe (Alnakba): Data showed that half of the Palestinian population are refugees. The Separation wall confiscated more than 15% of the West Bank area, affecting 180 populated areas until May 2008. Moreover, there are more than 144 Israeli settlements on the lands of Palestinian in the West Bank.

Education: Almost 30% of the Palestinian population in the West Bank and Gaza strip go to school –including kindergarten-. Male enrolment rates to basic stage (grades 1-10) reached 89%, while female enrolment reached 90%.

Living Standards: Poverty rates have been increasing constantly, more than 80% of Palestinians in Gaza and 47% in the West Bank live below the poverty line. 36% of Gazans depend immensely on aid , while 50% depend on aid moderately.

Gaza Siege: 1.5 million Palestinian live in the large Gaza "prison", 95% of their industrial plants have stopped working. Products entering the Gaza strip decreased from 9000 before the siege to only 20 items.