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OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

## SOCIO-ECONOMIC REPORT – AUGUST 2007

Since 1996 UNSCO has continually monitored and reported on socio-economic conditions in the occupied Palestinian territory and in the process established an extensive socio-economic database.

UNSCO does not create raw data but rather uses available data which, in the occupied Palestinian territory is relatively abundant. However, the data that is available tends to remain dispersed and is not always automatically shared between institutions. The objective of the database is to bring together in one place a wide variety of data on socio-economic conditions and by doing so present a broader, more detailed perspective on socio-economic conditions. The purpose of this report is to: 1) broaden the access to this database through publication of the most recent data gathered; and 2) provide readers with up to date information on socio-economic conditions in the occupied Palestinian territory.

The report is divided into three sections:

Section 1 consists of a one-page fact sheet which provides a snapshot view of the socio-economic situation of the current and previous reporting period and for reference purposes provides base line figures for the period just prior to the outbreak of the second *Intifada*.

Section 2 and 3 report on the Macro-economic and the Private sector and banking modules of the UNSCO database. They provide data on the last six reporting periods for each indicator as well as base line data. In addition, some initial analysis on observed trends is given below each table.



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## SOCIO-ECONOMIC FACT SHEET – AUGUST 2007

A. GENERAL				B. FISCAL SITUATION	Baseline	Previous period	Current period
<b>Indicator</b>	<b>2006</b>			<b>Indicator (US\$ millions)</b>	<b>Q4-1999</b>	<b>Q4-2006</b>	<b>Q4-2007 (budget)</b>
1. GDP (\$US)	4,150,600,000			1. Revenue	235	104	332
2. GDP per capita (\$US)	1,067.5			2. Expenditure	235	220	457
3. GDP growth rate	- 6.6 %			3. Net lending	0	68	125
4. GNI	4,521,500,000			4. Balance	0	-184	-250
Source: World Bank				5. External Budget support (including TIM)	0	178	250
				Source: IMF			
C. MACRO-ECONOMIC	Baseline	Previous period	Current period	D. PRIVATE SECTOR	Baseline	Previous period	Current period
<b>Indicator<sup>1</sup></b>	<b>Aug-2000</b>	<b>Jul-2007</b>	<b>Aug-2007</b>	<b>Indicator</b>			
1. Consumer Price Index <sup>2</sup>				1. New Company Registrations	<b>Q2-2000</b>	<b>Q1-2007</b>	<b>Q2-2007</b>
Total	121.95	154.14	157.49	Total	568	388	276
West Bank	122.44	156.92	159.91	West Bank	288	294	197
Gaza Strip	121.35	141.42	147.35	Gaza Strip	280	94	79
2. Truck movement <sup>3</sup>				2. Area Licensed for new Construction (dunums)	<b>Q2-2000</b>	<b>Q1-2007</b>	<b>Q2-2007</b>
<u>Imports</u>	<b>Aug-2000</b>	<b>Jul-07</b>	<b>Aug-2007</b>	Total	739.7	404.7	458.1
Karni	4,373	348	551	West Bank	665.3	364.6	437.4
Sufa	4,384	0	0	Gaza Strip	74.4	40.1	20.7
Rafah	953	0	0	3. Banking (US\$ thousands)	<b>Q2-2000</b>	<b>Q1-2007</b>	<b>Q2-2007</b>
Nahal Oz	904	523	474	Loans	1,234	1,916	1,902
<u>Exports</u>				Deposits	3,328	4,877	4,997
Karni	2,460	0	0	Loans/Deposits Ratio	37.1 %	39.3 %	38.06 %
Source: PCBS (1), Ministry of National Economy (2)				Source: Ministry of National Economy (1), Engineering Offices and Consulting Firms (2), Palestine Monetary Authority (3)			
E. LABOUR FLOWS	Baseline	Previous period	Current period	F. CLOSURE	Baseline	Previous period	Current period
<b>Indicator</b>	<b>Q2-2000</b>	<b>Q1-2007</b>	<b>Q2-2007</b>	<b>Indicator</b>	<b>Aug-2000</b>	<b>Jul-2007</b>	<b>Aug-2007</b>
1. Labour Force size				1. Effective closure days <sup>5</sup>			
Total	706,174	890,400	926,300	Karni (goods)	0 %	100%	100%
West Bank	483,796	599,500	634,600	Erez (workers)	0 %	100%	100%
Gaza Strip	222,378	290,900	291,700	Sufa (aggregates)	0 %	100%	100%
2. Unemployment	8.8 %	21.6%	19.2%	Rafah (passenger)	0 %	100%	100%
3. Adjusted Unemployment <sup>4</sup>	18.5 %	27.9 %	25.8 %	Rafah (commercial)	0 %	100%	100%
Source: PCBS				Nahal Oz (fuel)	0 %	15%	15%
				Kerem Shalom	0 %	67%	33%
				Source: UNSCO			

<sup>1</sup> For a more detailed report on sections C (Macro-economy) and D (Private sector), see the attached UNSCO reports<sup>2</sup> CPI Base year 1996 = 100<sup>3</sup> Number of truckloads. MoNE data does not include aggregates or aid flows.<sup>4</sup> Adjusted unemployment is calculated by adding discouraged workers (i.e. unemployed but no longer seeking work) to the ILO standard.<sup>5</sup> Effective closure days are calculated by adding all days when a crossing was fully or partially closed minus weekend and holidays.



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## MACRO-ECONOMIC UPDATE – AUGUST 2007

- Exchange rate
- Consumer Index by region and expenditure group
- Truck Movement
- Palestinian Imports and Exports
- Volume of registered fuel sales
- Palestinian Trade with Israel

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Indicator	Baseline Aug-00	Mar-07	Apr-07	May-07	June-07	Jul-07	Aug-07
<b>Exchange Rate</b>							
Exchange Rate	4.05	4.20	4.10	4.00	4.17	4.25	4.23
Source: PCBS							

The exchange rate between the US\$ and the NIS remained reasonably stable during the month of August but market expectations are that the dollar will slide back further in months to come. As a result, imports from abroad are likely to become cheaper

Indicator	Baseline Aug-00	Mar-07	Apr-07	May-07	June-07	Jul-07	Aug-07
<b>Volume of Registered Fuel sales in the Gaza Strip (x 1000 liters/ton)</b>							
<b>volume of registered fuel sales in the Gaza Strip</b>							
Benzene 95 (Liter)	878.3	1,326.7	1,092.4	1,347.0	963.0	937.1	1,172.9
Benzene 96 (Liter)	2,310.6	403.5	368.0	381.7	263.5	158.6	309.4
Gasoline (Liter)	11,342.6	8,481.1	7,430.6	7,932.1	8,672.6	6,409.9	9,170.7
Gas (Ton)	1.9	4.7	7.4	7.9	3.4	4.4	3.9
White Gasoline (Liter)	243.1	0	0.0	168.8	43.0	92.0	0.0
Source: General Petroleum Corporation and Ministry of Finance							

Import levels for all main fuel categories rebounded in August 2007 and rose to levels comparable to pre-June 2007 levels.

Indicator	Baseline Aug-00	Mar-07	Apr-07	May-07	June-07	Jul-07	Aug-07
<b>Palestinian Consumer Price Index (by region and expenditure group)</b>							
<b>Major Groups of Expenditure (Occupied Palestinian Territory – excluding Jerusalem )</b>							
Food	118.92	145.72	145.43	145.84	145.9	146.27	151.60
Beverages and Tobacco	129.14	169.49	169.53	169.64	169.67	170.30	183.50
Textiles, clothing and footwear	124.93	129.96	129.58	128.42	128.42	128.50	128.71
Housing	125.78	161.96	159.92	159.90	162.17	166.62	169.12
Furniture, household goods & services	123.70	131.67	131.47	130.80	130.83	130.72	131.06
Transport and communications	123.45	199.87	198.88	200.91	201.74	203.80	204.03
Education	114.63	137.6	137.88	137.75	137.97	137.99	138.34
Medical care	125.78	149.29	148.99	149.17	150.22	150.72	151.56
Recreational, cultural goods & services	93.86	92.35	91.12	91.25	91.21	91.15	90.86
Miscellaneous goods and services	129.21	169.26	169.52	169.21	169.87	169.80	169.90
All-Items consumer price index	<b>121.95</b>	<b>153.16</b>	<b>152.71</b>	<b>152.97</b>	<b>153.36</b>	<b>154.14</b>	<b>157.49</b>
<b>Major Groups of Expenditure (Jerusalem)</b>							
Food	122.63	153.39	153.12	153.31	153.33	156.48	156.93
Beverages and Tobacco	130.91	169.08	169.06	169.4	169.4	171.13	170.93
Textiles, clothing and footwear	119.18	144.68	144.2	143.09	143.09	144.34	144.76
Housing	112.88	138.68	134.39	134.32	135.46	140.23	140.44
Furniture, household goods & services	136.10	156.43	155.9	155.77	155.79	155.90	156.33
Transport and communications	131.63	175.5	177.54	179.22	179.92	183.03	183.36
Education	108.70	138.36	138.83	138.49	138.65	138.65	138.71
Medical care	114.91	148.37	147.81	147.93	148.33	148.71	149.11
Recreational, cultural goods & services	88.54	104.55	103.09	103.3	103.3	102.83	102.80
Miscellaneous goods and services	126.54	156.97	156.46	156.77	157.29	155.44	155.51
All-Items consumer price index	<b>122.76</b>	<b>154.14</b>	<b>153.87</b>	<b>154.11</b>	<b>154.37</b>	<b>156.55</b>	<b>156.87</b>
<b>Major Groups of Expenditure (Rest of the West Bank)</b>							
Food	118.25	144.22	142.48	143.9	144.67	144.51	150.98
Beverages and Tobacco	127.26	172.31	171.96	172	172.11	172.45	172.82
Textiles, clothing and footwear	123.53	128.74	127.49	125.29	125.24	124.80	124.97
Housing	127.28	165.27	163.64	163.65	166.28	171.11	174.89
Furniture, household goods & services	119.19	127.17	126.94	124.97	125.11	124.77	124.4
Transport and communications	127.03	221.53	219.2	220.81	221.78	223.82	224.18
Education	120.62	147.76	147.63	147.5	147.6	147.61	148.02
Medical care	138.73	158.35	158	158.27	160.68	161.19	162.11
Recreational, cultural goods & services	98.11	83.93	83.16	82.63	82.58	82.41	82.43
Miscellaneous goods and services	125.54	175.35	176.23	174.63	174.94	176.15	176.62
All-Items consumer price index	<b>122.44</b>	<b>156.52</b>	<b>155.28</b>	<b>155.60</b>	<b>156.36</b>	<b>156.92</b>	<b>159.91</b>
<b>Major Groups of Expenditure (Gaza Strip)</b>							
Food	116.38	146.19	144.76	145.05	146.54	142.18	150.41
Beverages and Tobacco	130.23	165.74	166.07	166.07	166.09	166.24	195.66
Textiles, clothing and footwear	135.87	119.27	119.34	119.33	119.35	118.95	119.05
Housing	129.45	144.36	143.76	143.52	147.22	151.06	154.91
Furniture, household goods & services	115.49	112.08	112.43	111.24	112.73	112.56	113.52
Transport and communications	115.61	153.11	150.97	153.15	153.8	155.00	155.18
Education	118.84	136.99	137.65	137.99	138.49	138.59	139.71
Medical care	133.83	156.37	157.22	157.22	157.21	157.93	158.89
Recreational, cultural goods & services	101.78	89.19	88.14	88.47	88.41	88.45	87.34
Miscellaneous goods and services	131.43	145.26	147.07	147.57	148.77	148.94	150.11
All-Items consumer price index	<b>121.35</b>	<b>142.07</b>	<b>141.35</b>	<b>141.65</b>	<b>142.85</b>	<b>141.42</b>	<b>147.35</b>

Source: PCBS

Overall, the Palestinian Consumer Price Index (CPI) increased significantly (2.2 %) in August 2007. This increase was primarily due to Gaza where the CPI increased by 4.2 percent with food (5.8%) and tobacco (17.7 %) being the main reasons for this jump. Clearly, the decreased imports into the Gaza Strip are starting to have an effect on the supply side. However, the West Bank is equally showing some signs that the cost of living is increasing (1.9 %) with food and housing costs being the main reasons for the CPI rise in the West Bank.

Indicator	Baseline Aug-00	Mar-07	Apr-07	*May-07	June-07	Jul-07	Aug-07
<b>Truck Movement</b>							
<b>Karni commercial crossing</b>							
Truck Loads Exports Israel	428	668	609	284			
Truck Loads Imports From Israel	2,466	2,711	2,746	1,702			
Truck Loads Exports (WB)	564	144	219	147			
Total Truck Loads Imports ( WB)	457	536	656	400			
Truck Loads Exports (Abroad)	n.a	253	191	22			
Total Truck Loads Imports (Abroad)	n.a	511	553	488			
Total Truck Loads Exports	992	1,065	1,019	453			
Total Truck Loads Imports	2,923	3,758	3,955	2,590			
Total Truck Loads Exports and Imports	3,915	4,823	4,974	3,043			
<b>Sufa commercial crossing (gravel only until May, from June onwards no aggregates but humanitarian supplies only)</b>							
Total Truck Loads Imports	4,384	1,034	430	1,711	85	2551	1,792
Gravel Tons	175,342	41,352	17,212	68,432	0	0	0
<b>Nahel Oz commercial crossing (fuel)</b>							
Total Truck Loads Imports	904	693	556	586	586	523	474
Source: Ministry of National Economy (except for June, July and August: Paltrade)							
* Because of the recent events in Gaza, data for Karni is not available from the PA Ministry of National Economy as of 25 May 2007. Data included in the column for May 2007 in this table excludes the last 6 days of May.							

With Karni closed for all exports and all non-humanitarian imports since 12 June, we observe a clear shift from Karni to Sufa as the main entry point of goods moving into Gaza. In addition, a further 408 truckloads of humanitarian supplies were imported in August 2007 through the Kerem Shalom crossing point.

Indicator	Baseline Q2-00	Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007	Q2-2007
<b>Palestinian Trade with Israel (in million US \$)</b>							
<b>Trade in goods</b>							
Exports	85	60	68	65	65	89	68
Imports	418	512	507	484	497	491	499
Balance	-333	-452	-439	-419	-432	-402	-431
<b>Trade in Services</b>							
Exports	45	26	29	31	32	34	29
Imports	91	72	63	60	69	83	100
Balance	-46	-46	-34	-29	-37	-49	-71
<b>Total</b>							
Exports	130	86	97	96	97	123	97
Imports	509	584	570	544	566	574	599
Balance	-379	-498	-473	-448	-469	-451	-502
Source: Israeli Central Bureau of statistics							

The Palestinian negative balance of payment in terms of its trade with Israel declined sharply in the second quarter of 2007. The 11 percent drop in the second quarter of 2007 has resulted in the Palestinian balance of payment deficit for trade with Israel to top half a billion US\$ for the quarter. On an annual basis this would mean that Palestinians import over 2 billion more from Israel than they export to Israel.



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## PRIVATE SECTOR AND BANKING UPDATE – AUGUST 2007

- Number of Company Registrations by region and legal status
- Area licensed for Construction
- Bank Credit
- Value of loans and deposits

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Indicator	Baseline Q2-2000	Mar-07	Apr-07	May-07	June-07	Jul-07	Aug-07
<b>Number of new Company Registrations (by region and legal status)</b>							
<b>Gaza Strip</b>							
Private	162	13	17	13	8	2	5
Private Limited	46	14	24	5	12	6	4
Public Limited	1	0	0	0	0	0	0
Foreign	3	0	0	0	0	0	0
<b>Total</b>	<b>212</b>	<b>27</b>	<b>41</b>	<b>18</b>	<b>20</b>	<b>8</b>	<b>9</b>
<b>West Bank</b>							
Private	66	34	29	28	21	37	36
Private Limited	163	46	49	27	41	47	49
Public Limited	0	0	0	1	0	0	0
Foreign	0	1	0	1	0	1	1
<b>Total</b>	<b>229</b>	<b>81</b>	<b>78</b>	<b>57</b>	<b>62</b>	<b>85</b>	<b>86</b>
Source: Ministry of Economy							

The number of new company registrations is used as a proxy indicator for the vitality of the local economy as well as the ability of the local economy to create new employment. The data for August 2007 indicates a continuation of the widening gap between Gaza and the West Bank as first observed last month. While new company registrations were roughly equal between Gaza and the West Bank prior to the Intifada, currently we see that the ratio is almost 1 to 10. However, even for the West Bank, the current rate of new company registrations is less than 40 percent of the pre-Intifada total.

Indicator	Baseline Aug-00	Mar-07	Apr-07	May-07	June-07	Jul-07	Aug-07
<b>Area licensed for new construction (Gaza Strip, dunums)</b>							
Northern District	27,902	16,150	16,050	9,460	5,365	5,680	3,350
Gaza	50,116	17,580	9,770	19,750	5,930	13,490	3,770
Al Wastah	15,984	1,755	11,345	4,530	3,650	3,820	2,150
Khan Younis	51,146	15,100	5,240	4,540	4,600	2,550	2,000
Rafah	39,429	6,575	3,890	5,070	2,840	3,770	1,450
<b>Gaza Strip Total</b>	<b>184,577</b>	<b>57,160</b>	<b>46,295</b>	<b>43,350</b>	<b>22,385</b>	<b>29,310</b>	<b>12,720</b>
Source: Engineering Offices and Consulting Firms							

Indicator	Baseline Aug-00	Mar-07	Apr-07	May-07	June-07	Jul-07	Aug-07
<b>Area licensed for new construction (West Bank, dunums)</b>							
Ramallah & Al- Bireh & Jerusalem		42,043	64,358	49,852	56,083	38,424	47,562
Nablus		19,991	30,321	45,875	29,736	51,635	30,087
Tulkarm		14,080	20,504	28,597	27,456	35,339	23,290
Hebron		23,684	40,578	37,677	56,353	21,224	17,769
Bethlehem		9,614	18,318	15,192	22,172	12,351	10,997
Jenin		7,914	11,603	9,988	12,941	6,849	3,690
Qalqilya		5,526	7,981	4,605	6,596	4,102	5,101
Salfit		0	0	0	0	0	0
<b>Total</b>	<b>345,685</b>	<b>122,852</b>	<b>193,663</b>	<b>191,786</b>	<b>211,337</b>	<b>169,924</b>	<b>138,496</b>
Source: Engineering Offices and Consulting Firms							

Similarly to new company registrations, the area licensed for new construction is used as a proxy indicator for economic vitality. August 2007 data indicates a further drop for this indicator with the total area licensed for new construction figure dropping by 56.6 for the Gaza Strip and by 18.5 percent for the West Bank.

Indicator	Baseline Q2-00	Q1-06	Q2-06	Q3-06	Q4-06	Q1-2007	Q2-2007
<b>Area licensed for new construction (by region and by type, x 1000 m<sup>2</sup>)</b>							
<b>Non-residential</b>							
West Bank	122.0	130.1	132.0	113.1	59.5	95.2	107.0
Gaza Strip	5.5	9.8	17.6	2.0	2.9	12.2	3.0
Total Palestinian territory	127.5	139.9	149.6	115.1	62.4	107.4	110.0
<b>Residential</b>							
West Bank	543.3	589.4	491.9	356.6	286.1	269.4	330.4
Gaza Strip	68.9	50.4	48.6	40.0	16.4	27.9	17.7
Total Palestinian territory	612.2	639.8	540.5	396.6	302.5	297.3	348.1
Source: PCBS							

The overall slump in new construction is not yet reflected in the PCBS data that disaggregates new construction licenses by type of construction as this data is available only on a quarterly basis.

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Bank Credit</b>							
<b>Bank Credit by economic activity (x million US\$)</b>							
Agriculture	20	14	23	16	15	18	19
Manufacturing & Mining	123	109	111	111	117	113	111
Construction	145	192	208	213	209	218	226
General Trade	<b>349</b>	<b>364</b>	<b>387</b>	<b>355</b>	<b>365</b>	<b>365</b>	<b>379</b>
<i>Internal Trade</i>	<b>235</b>	<b>242</b>	<b>262</b>	<b>234</b>	<b>233</b>	<b>240</b>	<b>254</b>
<i>External Trade</i>	<b>114</b>	<b>122</b>	<b>125</b>	<b>121</b>	<b>132</b>	<b>125</b>	<b>125</b>
<i>Exports</i>	<b>8</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>20</b>	<b>20</b>	<b>20</b>
<i>Imports</i>	<b>106</b>	<b>105</b>	<b>107</b>	<b>104</b>	<b>112</b>	<b>105</b>	<b>105</b>
Transportation	45	53	53	69	46	54	54
Tourism, Hotels & Restaurants	33	23	25	24	24	26	26
Public Services	52	144	152	162	164	167	166
Financial Services	28	93	96	102	104	111	109
Purchase of Securities	10	3	3	3	3	3	2
Miscellaneous	429	831	807	835	856	842	809
<b>GRAND TOTAL</b>	<b>1,234</b>	<b>1,827</b>	<b>1,865</b>	<b>1,891</b>	<b>1,903</b>	<b>1,916</b>	<b>1,902</b>
TOTAL excluding miscellaneous and public services	<b>752</b>	<b>851</b>	<b>906</b>	<b>893</b>	<b>883</b>	<b>907</b>	<b>927</b>
<b>Bank Credit by economic activity (as percentage of total)</b>							
Agriculture	2%	1%	1%	1%	1%	1%	1%
Manufacturing & Mining	10%	6%	6%	6%	6%	6%	6%
Construction	12%	11%	11%	11%	11%	11%	12%
General Trade	28%	20%	21%	19%	19%	19%	20%
Transportation	4%	3%	3%	4%	2%	3%	3%
Tourism, Hotels & Restaurants	3%	1%	1%	1%	1%	1%	1%
Public Services	4%	8%	8%	9%	9%	9%	9%
Financial Services	2%	5%	5%	5%	5%	6%	6%
Purchase of Securities	1%	0%	0%	0%	0%	0%	0%
Miscellaneous	35%	46%	43%	44%	45%	44%	43%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Bank Credit by economic activity excluding miscellaneous and public services(as percentage of total)</b>							
Agriculture	3%	3%	2%	2%	2%	2%	2%
Manufacturing and Mining	16%	12%	12%	13%	12%	12%	12%
Construction	19%	23%	24%	24%	24%	24%	24%
General Trade	46%	43%	40%	41%	40%	40%	41%
<i>Internal Trade</i>	<b>31%</b>	<b>29%</b>	<b>26%</b>	<b>26%</b>	<b>26%</b>	<b>26%</b>	<b>27%</b>
<i>External Trade</i>	<b>15%</b>	<b>14%</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>
<i>Exports</i>	<b>1%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<i>Imports</i>	<b>14%</b>	<b>12%</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>	<b>12%</b>	<b>11%</b>
Transportation	6%	6%	8%	5%	6%	6%	6%
Tourism, Hotels & Restaurants	4%	3%	3%	3%	3%	3%	3%
Financial Services	4%	11%	11%	12%	12%	12%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PMA							

Data on bank credit indicates that intra-sectoral trends have not changed much over the past six periods (the Palestine Monetary Authority provides adjusted monthly data once per every three months). In relative terms, both the general trade and construction sectors show a slight increase in its use of credit providing a first tentative signal of recovery after months of decline. Bank credit to the public sector has more than tripled if compared with the pre-*Intifada* period while the miscellaneous category (primarily encompassing credit to consumers) has doubled over the same period. If compared with the pre-*Intifada* period total bank credit has increased by 54 percent (the increase is only 23 percent if we exclude the public services and miscellaneous categories).

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Bank Credit</b>							
<b>Bank Credit by type (x million US\$)</b>							
Loans	512	1,179	1,187	1,201	1,191	1,198	1,207
Overdrafts	653	638	668	680	702	705	681
Leasing	0	10	11	11	10	11	11
BA & Discounted Bills	69	0.07	0.07	0.07	0.01	2	3.56
<b>Total</b>	<b>1,234</b>	<b>1,827</b>	<b>1,865</b>	<b>1,891</b>	<b>1,903</b>	<b>1,916</b>	<b>1,902</b>
<b>Bank Credit by type (as percentage of total)</b>							
Loans	41%	65%	64%	63%	63%	63%	63%
Overdrafts	53%	35%	36%	36%	37%	37%	36%
Leasing	0%	1%	1%	1%	1%	1%	1%
BA & Discounted Bills	6%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PMA							

Disaggregating bank credit by the type of credit, confirms the relative stability of the banking sector. The trend of overdrafts replacing formal loans has continued in the second quarter of 2007. Loans currently represent 63 percent of all credit extended compared to only 41 percent in the pre-*Intifada* period.

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Bank Credit</b>							
<b>Bank Credit by borrowing entity (x million US\$)</b>							
Businesses	752	851	906	893	883	907	927
Consumers	429	831	807	835	856	842	809
Public Agencies	52	144	152	162	164	167	166
<b>Total</b>	<b>1,234</b>	<b>1,827</b>	<b>1,865</b>	<b>1,891</b>	<b>1,903</b>	<b>1,916</b>	<b>1,902</b>
<b>Bank Credit by borrowing entity (as percentage of total)</b>							
Businesses	61%	47%	49%	47%	46%	47%	49%
Consumers	35%	46%	43%	44%	45%	44%	43%
Public Agencies	4%	8%	8%	9%	9%	9%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PMA							

Disaggregating bank credit by the borrowing entity indicates that consumer borrowing has not significantly changed during the past 18 month period. Even though one would have expected some increase following the difficulties experienced by the PA in paying salaries such an increase in demand is not necessarily accompanied by an increase in credit supply. Compared to pre-*Intifada* levels, consumer borrowing has almost doubled indicating that increased economic hardship has resulted in increased use of credit facilities for consumption purposes.

Indicator	Baseline Aug-00	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Jun -07
<b>Bank Deposits (excluding deposits of the PMA and commercial banks)</b>							
<b>Distribution of Public sector deposits by depositor and type (x million US\$)</b>							
<b>Public Institutions and Local Auth.</b>							
Current Accounts	23.9	57.8	58.8	63.1	65.0	63.5	61.8
Time Deposits	49.7	43.2	42.1	44.2	47.9	48.8	56.5
Sub-total	73.6	101.0	100.9	107.3	112.9	112.3	118.3
<b>Government</b>							
Current Accounts	39.8	88.8	96.8	154.9	121.7	113.2	255.9
Time Deposits	74.8	183.6	178.8	177.9	173.8	187.1	86.1
Sub-total	114.6	272.5	275.5	332.8	295.6	300.3	342.0
<b>Total Public sector deposits</b>	<b>188.2</b>	<b>373.5</b>	<b>376.4</b>	<b>440.1</b>	<b>408.5</b>	<b>412.6</b>	<b>460.3</b>
<b>Distribution of Private sector deposits by residency and type (x million US\$)</b>							
<b>Residents</b>							
Current Accounts	865.3	1,234.6	1,219.4	1,238.7	1,255.4	1,244.7	1,283.8
Savings Accounts	454.3	904.7	914.6	918.3	932.3	943.2	966.1
Time Deposits	2,084.3	1,605.8	1,601.9	1,636.0	1,678.7	1,712.1	1,703.1
Sub-total	3,403.9	3,745.1	3,735.9	3,793.0	3,866.5	3,900.0	3,953.0
<b>Non-Residents</b>							
Current Accounts	9.5	99.3	28.9	29.6	29.8	27.4	30.0
Savings Accounts	3.6	13.0	12.8	12.7	12.9	13.0	14.0
Time Deposits	22.8	47.6	48.5	48.1	48.6	49.4	50.9
Sub-total	35.9	159.9	90.2	90.4	91.3	89.8	94.9
<b>Total Private sector deposits</b>	<b>3,439.8</b>	<b>3,904.9</b>	<b>3,826.1</b>	<b>3,883.4</b>	<b>3,957.8</b>	<b>3,989.8</b>	<b>4,047.9</b>
<b>Total Deposits (public and private)</b>	<b>3,628.0</b>	<b>4,278.4</b>	<b>4,202.6</b>	<b>4,323.5</b>	<b>4,366.2</b>	<b>4,402.4</b>	<b>4,508.2</b>
Source: PMA							

Similar to bank credits, bank deposits data indicates that the banking sector is relatively stable with deposits increasing slowly but steadily.

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Value of Loans and Deposits (x million US\$)</b>							
Total Loans	1,234	1,827	1,865	1,891	1,903	1,916	1,902
Total Deposits	3,328	4,512	4,390	4,514	4,657	4,876.6	4,997
Loans/Deposits (ratio)	37.06%	40.49%	42.49%	41.89%	40.87%	39.29%	38.06%
Source: PMA							

In a normal functioning economy an increase in the loans versus deposits ratio would be a good sign as monies are not saved but invested or consumed, each of which is a stimulant for the economy. Over the past year, this ratio has steadily declined (by 11 percent) in the OPT signaling little optimism concerning the Palestinian economy which limits appetite for domestic investment and thus increases deposits. The fact that banks stopped issuing loans to PA employees and instead attempted to limit their risk by withholding part of the TIM and partial salary payments to service existing loans in the later half of 2006 and first half of 2007 further explains the continued decline in the ratio over this period.