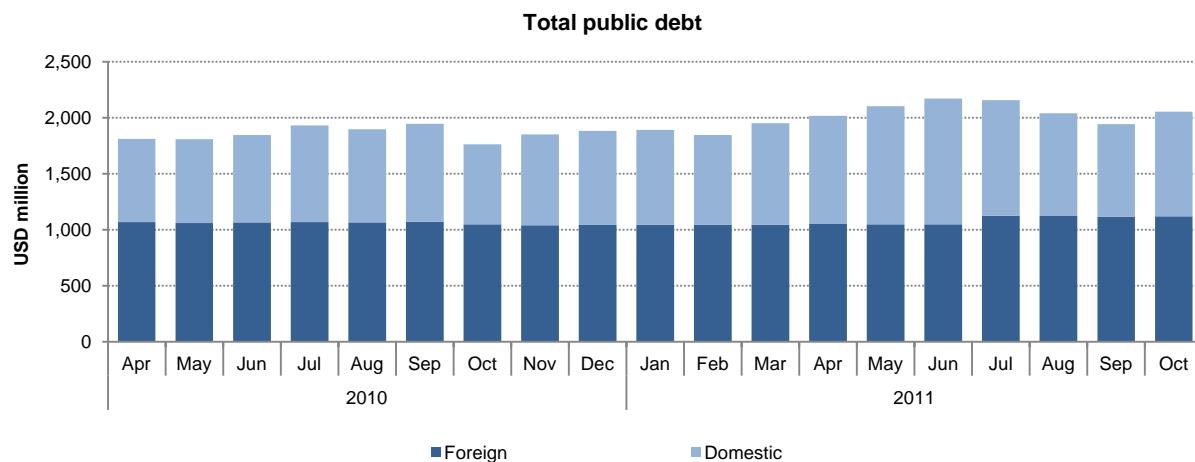




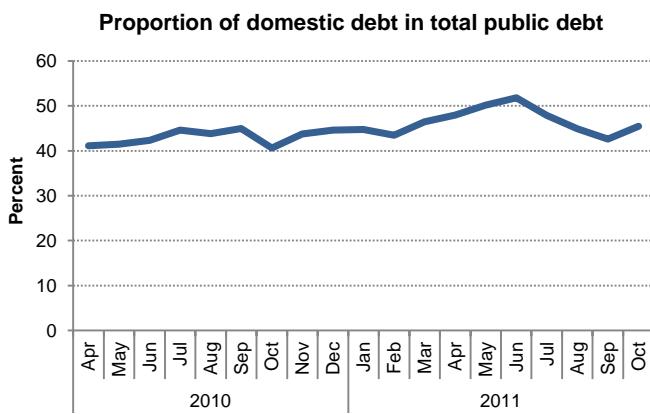
SOCIO-ECONOMIC REPORT - OCTOBER 2011

Supplement: Structure of public debt¹

The PA's total public debt at the end of October 2011 reached USD2,055.3 million. This level is lower than the recent high of USD2170.6 million recorded in June 2011 but is 13% higher than the level observed in September 2011. Whereas foreign debt has been relatively stable over time, most variation in total debt is traced to changes in domestic debt, possibly as it is used to address financing gaps.



The proportion of domestic debt in total debt has varied between roughly 40 and 52% between April 2010 and October 2011. In October 2011, 45% of total debt was domestic, in the form of bank loans (40% of domestic debt), overdrafts (45%) and public institution loans (15%). The remainder of total debt was foreign, in the form of funds owed to various institutions² (86%) and bilateral loans (14%).



One relevant feature of the PA's domestic debt is its maturity structure. In October 2011, 78% of domestic public debt was short term. The totality of overdrafts and public institution loans were short term debt, and 45% of domestic bank loans, which amounted to USD370.2 million in October 2011, were also short term.

Servicing the debt can represent a significant burden on the government budget, and high levels of domestic bank loans also increase the vulnerability of banks.

¹ The data used in this supplement are from the Ministry of Finance.

² These institutions include the Al-Aqsa Fund, the Arab Fund for Economic and Social Development, the Islamic Development Bank, the World Bank, the European Investment Bank, IFAD, and OPEC.