

## Palestine Macroeconomics in Q1 2012

### Macroeconomics Overview of Palestine

#### First Quarter and Latest Data Overview

- Preliminary estimates at constant prices showed an increase of 5.6 % in GDP in the Palestinian Territory during the 1<sup>st</sup> quarter 2012 compared to the 1st quarter 2011, and it showed a decrease of 3.1 % compared to the 4th quarter 2011 at constant prices, and the base year is 2004. In the West Bank, GDP increased by 5.4 % during the 1st quarter 2012 compared to the 1st quarter 2011. In Gaza Strip, GDP increased by 6.0 % during the 1st quarter 2012 compared to the 1st quarter 2011. GDP for the 1st quarter 2012 at constant prices was USD 1,116 million for the West Bank and USD 464 million for Gaza Strip.

Economic Indicator	Q1 2011	Q1 2012	Δ
GDP (\$ millions)	1,496.4	1,579.7	5.57%
GDP Per Capita	385.3	394.7	2.44%
Unemployment Rate	21.7	23.9	10.14%
Labor Force Participation Rate	41.0	43.4	5.85%

- GDP per Capita for the Palestinian Territory at constant prices was USD 395 during the 1st quarter 2012, it showed an increase of 2.4 % compared to the 1st quarter 2011. As for the West Bank at constant prices it was USD 469 during the 1st quarter 2012, it showed an increase by 2.6% during the 1st quarter 2012 compared to the 1st quarter 2011, and for Gaza Strip was USD 286 during the 1st quarter 2012, and it showed an increase by 2.4 % during the 1st quarter 2012 compared to the parallel quarter 2011.
- Unemployment Rate in Q1 2012:** the number of unemployed was about 261 thousand in the 1st quarter 2012: about 147 thousand in the West Bank and about 114 thousand in Gaza Strip. The unemployment rate in Gaza Strip was 31.5% compared with 20.1% in the West Bank, and the unemployment rate for males in the Palestinian Territory was 22.0% compared to 31.5% for females.
- Labor Force Participation Rate in Q1 2012:** The number of persons participating in the labor force in the Palestinian Territory was about 1.094 million in the 1st quarter 2012: about 731 thousand in the West Bank and about 363 thousand in Gaza Strip. The labor force participation rate in the West Bank was 45.4% and 39.9% in Gaza Strip, the gap in the participation rate between males and females is still very big it reached 68.9% for males compared with 17.3% for females.
- Consumer Price Index (CPI) May 2012:** The overall Consumer Price Index (CPI) for the Palestinian Territory with its 2004 base year (2004=100) reached 135.54 during May 2012. The CPI decreased by 0.20% compared to April 2012, while increased by 2.96% compared to May 2011.
- Producer Price Index (PPI) April 2012:** The overall Producer Price Index (PPI) for the Palestinian Territory with its base month (January 2011=100) reached 100.66 in April 2012, it increased by 1.30% compared to March 2012.
- Industrial Production Index (IPI) May 2012:** The overall Quantity of Industrial Production Index (IPI) in the Palestinian Territory reached 118.08 in May 2012 (base month January 2011=100) with an increase of 7.64% compared to the previous month (April 2012). Quantity of Industrial Production Index for May 2012 increased due to the increase in the manufacturing industry by 15.03% compared to the previous month, which has a share of 80.56% from the total industry. While mining and quarrying industry decreased by 31.04% during May 2012 compared to the previous month which forms a share of 4.59% of the total industry, and water supply and electricity industry decreased by 7.02% compared to the previous month which has a share of 14.85% of the total industry.
- Exports & Imports April 2012:** Exports decreased in April, 2012 by 1.4 % compared to March, 2012 and decreased by 1.6 % compared to April, 2011 and reached USD 60.7 Million. Exports to Israel decreased in April, 2012 by 2.5 % compared to March, 2012. Also, exports to other countries increased by 6.3 % during the same period compared to April, 2012. Exports to Israel represented 87.5 % of total exports in April, 2012. Imports increased in April, 2012 by 7.6 % compared to March, 2012. And decreased by 16.8 % compared to April, 2011 and reached USD 367.5 Million.

- Imports from Israel increased by 4.3 % in April, 2012 compared to March, 2012. Imports from Israel represented 67.1 % of total imports in April, 2012. On the other hand, imports from other countries increased by 15.0 % compared to March, 2012. The trade balance which represents the difference between exports and imports showed an increase in trade deficit by 9.0 % compared to March, 2012. And decreased by 11.4 % compared to April, 2011 and reached USD 306.9 Million.

### *The Palestinian Economy's Performance in 2011*

- Poverty Line in 2011** :the poverty line and deep poverty line for the reference household (two adults and three children) stood at 2,293 NIS (637 US\$) and 1,832 NIS (509 US\$) respectively. Slightly more than one out of four Individuals (25.8%) was living below poverty line in 2011, (17.8% in the West Bank and 38.8% in Gaza Strip). Similarly about 12.9% of Individuals were living below the deep poverty line in 2011 (7.8% in the West Bank and 21.1% in Gaza Strip).
 

Location/2011	Living below poverty line	Living below deep Poverty line
West Bank	17.80%	7.80%
Gaza Strip	38.80%	21.10%
- Average daily wages ADW in 2011**: average daily wages in the Palestinian Territory showed no change in 2011 compared with 2010. ADW reached 91.1 NIS in Q4 2011 compared with 92.6 NIS in the third quarter of 2011 and 92.2 in 2010 Q4.
- Per Capita Expenditure in the West Bank and Gaza Strip 2011 (Current Prices)**: there is an increase in the monthly average of per capita expenditure in 2011 compared to 2010; in 2011, the per capita expenditure was 188.1 JDs in the West Bank, while it was 173.1 JDs in 2010, with an increase of 8.7 %. While in Gaza Strip the monthly average of per capita expenditure increased 2011 compared to 2010 by 6.5 %, the per capita expenditure was 109.8 JDs in 2011, while it was 103.1 JDs in 2010.
- Inflation rate**: In 2011, Palestine Territories y-o-y inflation rate witnessed the smallest rate with 2.9 percent, while it reached 4.4 percent, 10.1 percent, and 3.5 percent in Jordan, Egypt, and Israel respectively. In 2011 Q4 Palestine Territories' y-o-y inflation rate reached 2.3 percent compared with 3.4 percent, 8.5 percent, and 2.5 percent in Jordan, Egypt, and Israel respectively.
- Interest Rate Charge**: the banks in the Palestinian Territory are paying a lower deposit rate on NIS and JD deposits than that in Israel and Jordan, while they are paying almost the same rate on USD deposits as in the USA. Deposit rates in the Palestinian Territory are dependent on those in the countries of origin for currencies circulating in the Palestinian Territory. The interest rate on USD deposits in the Palestinian Territory was almost fixed during the recent years, while it increased from about 0.29 % in 2010 to about 0.30 % in the first three quarters of 2011. On the contrary, interest rates on NIS and JD deposits in the Palestinian Territory were relatively low compared to their counterparts in countries of origin. Deposit rates in the Palestinian Territory increased from about 1.1 % and 0.3 % on JD and NIS deposits respectively to about 1.2 % and 1.1 % during 2010 Q3 – 2011 Q3. At the same time, the interest rate on deposits in Israel increased from 1.7 % to 2.8 % during the same period, and it was relatively stable on the deposits in Jordan at about 3.4 %. In general, the lending rate on NIS loans is the highest among lending rates in the Palestinian Territory. Real deposit rates fluctuate around (-2.7% %), while real lending rates fluctuate around (5.2 %). Hence, the average real deposit rate on USD, JD and NIS, during 2009 –2011, was about -2.9 %, -1.8 %, and -2.7 %, respectively. While the average real lending rate on USD, JD, and NIS loans, during the same period, was about 3.2 %, 4.3 %, and 8.0 %, respectively.

### *The Banking Sector Development*

- The total number of banks operating in Palestine reaches 18 banks divided into 6 local banks, 2 Islamic banks and 10 foreign banks. The aggregated financial results of the entire banking sector operating in Palestine showed an increase of 6.11% in the net assets to amount for \$9.08 billion, a 5.77% increase in total liabilities to settle at \$7.89 billion and an 8.41% increase in the total shareholders' equity to hit \$1.18 billion in the year 2011 compared to 2010. Moreover, the entire banking sector witnessed a 4.69% increase in the total revenues to amount for \$415 million, 11.98% increase in the total expenses to stand at \$252 million leading to a 7.25% decrease in the net income to aggregate at \$129 million in the year 2011 compared to 2010.

Aggregated Banking Sector's items (USD)	2010	2011	Δ
Net assets	8,555,718,522	9,078,220,321	6.11%
Total liabilities	7,461,462,793	7,891,899,871	5.77%
Shareholders' equity	1,094,255,730	1,186,320,450	8.41%
Net interests & commissions income	285,730,991	344,251,757	20.48%
Total revenues	396,940,512	415,594,725	4.70%
Total expenses	225,042,977	251,997,237	11.98%
Net Income	138,737,252	128,674,489	-7.25%

## Palestinian Macroeconomics Historical Facts

Economic indicator	2004	2005	2006	2007	2008	2009	2010	2011
<b>GDP (\$ million)</b>	4,198	4,560	4,322	4,554	4,878	5,241	5,728	6,339
Δ	-	8.60%	-5.20%	5.36%	7.12%	7.44%	9.29%	10.67%
<b>GDP per Capita</b>	1,317	1,387	1,275	1,298	1,290	1,390	1,502	1,613
Δ	-	5.32%	-8.07%	1.80%	-0.62%	7.75%	8.09%	7.37%
<b>Labor Force Participation Rate</b>	40.4	40.7	41.3	41.9	41.3	41.6	41.1	43.0
Δ	-	0.74%	1.47%	1.45%	-1.43%	0.73%	-1.20%	4.62%
<b>Unemployment Rate</b>	26.8	23.5	23.6	21.5	26.0	24.5	23.7	20.9
Δ	-	-12.31%	0.43%	-8.90%	20.93%	-5.77%	-3.27%	-11.81%

## Report's Sources

- Palestine Central Bureau of Statistics—PCBS.
- Palestine Monetary Authority—PMA

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