



Palestinian National Authority
Palestinian Central Bureau of Statistics

Press Release
Preliminary Estimates of Gross Domestic Product
(Fourth Quarter 2005)

January, 2006

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Suggested Citation:

Palestinian Central Bureau of Statistics, 2006. *Press Release, Preliminary Estimates of Gross Domestic Product (Fourth Quarter 2005).*
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Palestinian National Authority

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Notice to users of this report

PCBS would like to indicate to users of this press release that the data presented is at constant prices, where the year 1997 is the base year.

PCBS indicates also that all data related to quarters of the year 2005 will be revised based on the availability of the related short-term indicators for those quarters. Meanwhile, data for the fourth quarter of the year 2005 represents preliminary estimates (flash estimates) issued for the first time in the third revision in accordance with the estimated short-term indicators; those data will be revised when the necessary short-term indicators are available within the requested periodicity.

In addition to that, the third quarter of the year 2005 was revised (first revision) in accordance with the completion of the necessary short-term indicators.

Based on the international recommendations for the compilation of the QNA revisions, the final report of the Quarterly National Accounts will be released after finalizing the Annual National Accounts for Production and Expenditure sides at constant prices.

Press Release

Main Estimates for the Gross Domestic Product (Fourth Quarter 2005)

In the Fourth Quarter 2005, GDP declined by 0.2% compared with the Third quarter 2005

This quarterly report is based on a number of short-term economic indicators compiled quarterly and covering various economic activities. Therefore we compare the main macroeconomic indicators in order to provide an informative tool for monitoring the economy in the short term. In this release we present a comparison with the previous quarter (Third Quarter 2005) and the parallel quarter of the previous year 2004 (Fourth Quarter 2004).

GDP for the year 2005

The second revision for the year 2005 at constant prices based on the available short term indicators showed that the value of GDP of Remaining West Bank and Gaza Strip will reach US\$ 4,456.4 million with an increase of 4.9%. And, the value of GDP per capita amount to US\$ 1,268.2 during the year 2005 with a substantial increase by 1.7% compared to the year 2004.

Decline of GDP in the Fourth Quarter 2005

The flash estimates at constant prices for the fourth quarter of 2005 shows decrease in the performance of the economy in Remaining West Bank and Gaza Strip. The GDP estimates decreased during the fourth quarter of 2005 by 0.2% compared with the third quarter of the same year, and showed an increase of 9.3% compared to the fourth quarter of the year 2004 at constant prices.

This decline in the fourth quarter of the year 2005 compared to the third quarter of the same year was a result of the decline in the main economic activities within the available short term indicators for each activity. There was decline in the Hotels and restaurants, Mining, Manufacturing, Water and Electricity, Real estate and business services, Wholesale and retail trade, Construction in addition to the Community, social and personal services activities.

In addition, the flash estimates for the Gross Domestic Product per capita for Remaining West Bank and Gaza Strip during the fourth quarter 2005 decreased by 1.1% compared to the third quarter of the same year, while it showed an increase of 6.1% compared to the same quarter of the year 2004.

Performance of Main Economic Activities

The performance of different activities during the fourth quarter of the year 2005 compared to both the third quarter of the same year and the same quarter of the previous year was as follows:

- The gross value added for **Agriculture** activity increased by 2.7% during the fourth quarter of 2005 in relation to the third quarter, while it decreased by 16.7% compared with the parallel quarter of the year 2004.

- The gross value added for **Mining, manufacturing, water and electricity** activities in Remaining West Bank and Gaza Strip declined during the fourth quarter 2005 compared to the third quarter of the same year by 8.4%, while it declined by 2.3% compared to the third quarter of the year 2004.

- The gross value added for **Construction** activity decreased by 2.8% during the fourth quarter of the year 2005 compared to the third quarter 2005, while it increased by 6.2% compared to the same quarter of the year 2004.
- The gross value added for **Transport** increased during the fourth quarter of the year 2005 by 4.1% compared to the third quarter of 2005. On other hand, this activity decreased by 5.9% compared to the third quarter of the year 2004.
- The gross value added for **Financial Intermediation** activity increased by 6.0% during the fourth quarter 2005 compared to the third quarter of the year 2005, while it increased by 14.4% compared to the fourth quarter of the year 2004.
- The gross value added declined for **Wholesale and Retail Trade** by 3.1% compared to the third quarter of the year 2005; however, when compared to the same quarter of the year 2004, this activity recorded an increase rate of 1.1%.
- The gross value added for **Education** decline during the fourth quarter of the year 2005 by 0.7% compared to the third quarter of the same year, while it showed an increase of 15.3% compared to the fourth quarter of the year 2004.
- The gross value added for **Hotels** decreased by 12.4% compared to the third quarter of the year 2005, while it increased by 0.5% compared to the third quarter of the year 2004.
- The gross value added for **Real Estate, Renting and Business Services** declined by 3.9% during the fourth quarter of the year 2005 compared to the third quarter of the same year, and 1.0% compared to the parallel quarter of the year 2004.

The following graph shows a comparison for the quarterly GDP during the Fourth quarter of the years 2003-2005:

Figure1: Value of Quarterly GDP for the Years 2003-2005

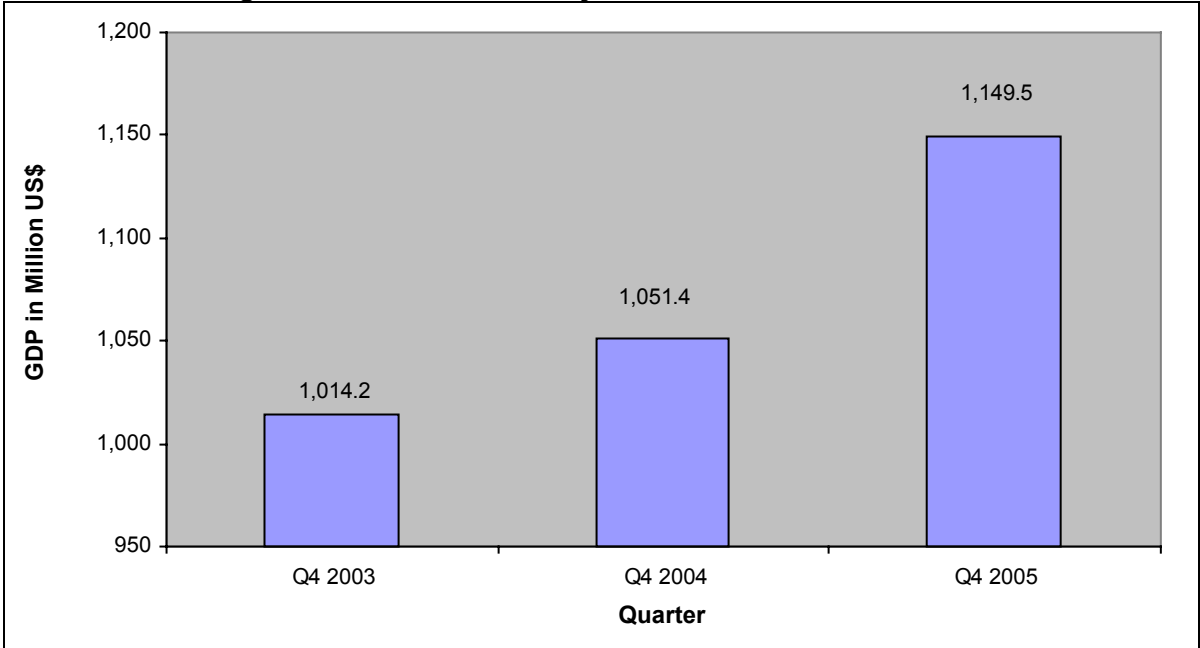
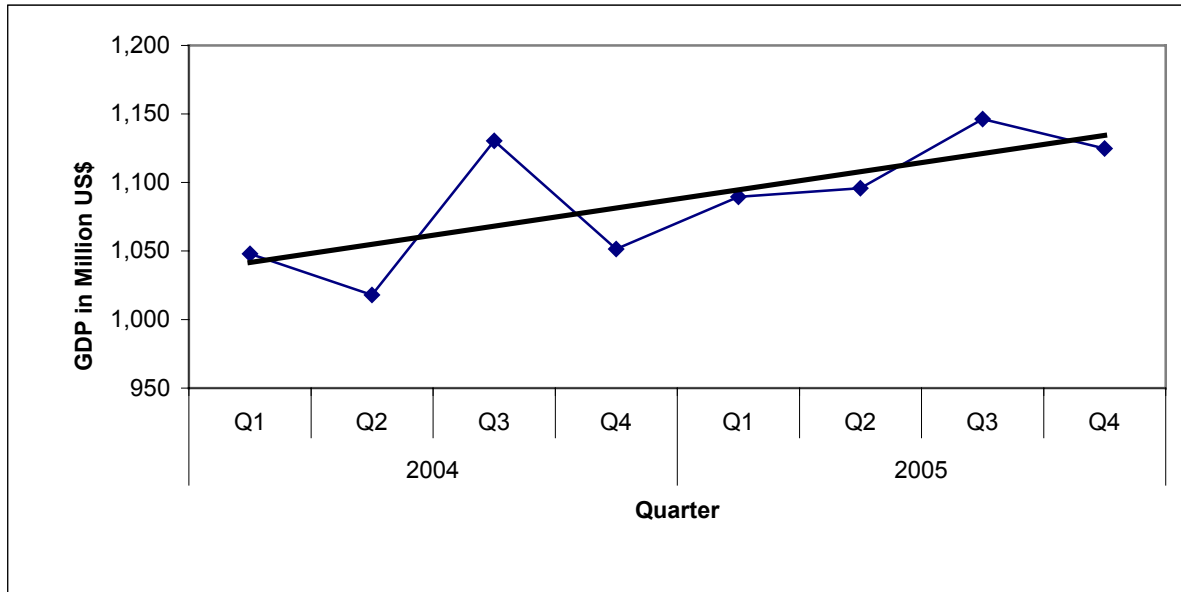


Figure 2: Quarterly GDP Trend Line in Remaining West Bank and Gaza Strip for the Years 2004-2005



Concepts and Definitions

Statistical Unit

The United Nations System of National Accounts SNA 1993 defines two main types of statistical units:

- Institutional Unit-Enterprise

An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

- Establishment

An establishment is an enterprise, or part of an enterprise, which produces only a single group of goods (with the possibility of production from secondary activities) in which the principal productive activity accounts for most of the value added.

Breaking down institutional units into establishments serves to create more consistent statistical units in the productive sense.

Principal Economic Activity

It is the main activity of the enterprise during the reference year, using (ISIC-3) for classification and coding.

Output

Value of goods and services, including own-account goods, produced during a specific period.

Value added

Value added is a central concept of production and refers to the generated value of any unit that carries out any productive activity. Gross value added is defined as the value of gross production less the value of intermediate consumption. The net value added is defined as the gross value less the value of fixed capital consumption. The net value added reflects the performance of the economy in a better way; however, since it is difficult to measure the fixed capital consumption accurately, the concept of gross value added is more frequently used.

Value added at producers' price is the difference between output at basic prices and the value of the intermediate consumption at purchase price plus taxes (less subsidies) on production. However, if taxes and subsidies are excluded, value added will be obtained in basic prices.

Gross Domestic Product or GDP

Gross Domestic Product or GDP is the summary measure of the output or production during a certain period in time. Estimate of GDP, like the output and the value added, can vary according to taxes and subsidies taken into consideration. GDP is usually estimated at market prices, producers' prices, or basic prices.

Deflating

Changing all data at current prices to constant prices by choosing the suitable indices by which the effect of prices on the data will be isolated, and choosing suitable base year in order to do this.

Short-term indicators

All indicators that have a periodicity for less than a year, usually a month or quarter.

Industrial Production Index

A statistical tool used for measuring the change in volume of output of industrial activities during a certain period of time. The index uses the change in volume of production for the largest establishments in each industry.

Remaining West Bank

The West Bank excluding that part of Jerusalem that was annexed after the 1967 occupation by Israel.

1997

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2005

:(1)

Table (1): GDP in Remaining West Bank and Gaza Strip by Economic Activity for the Quarters of year 2005 at Constant Prices: (1997 is the base year)

Value in million US\$

Economic Activity	2005				
	** Q IV	*** Q III	* Q II	* Q I	** Annual Data
Agriculture and fishing	83.2	81.0	84.5	63.9	312.6
Mining, manufacturing, electr. and water	126.4	138.1	144.5	155.8	564.8
Mining and quarrying	4.6	4.7	4.8	4.2	18.3
Manufacturing	106.2	116.3	121.8	132.2	476.5
Electricity and water supply	15.6	17.1	17.9	19.4	70.0
Construction	29.3	30.2	31.3	28.6	119.4
Wholesale and retail trade	92.3	95.3	98.9	87.4	373.9
Transport, Storage and Communications	116.3	111.7	115.5	118.0	461.5
Financial intermediation	51.8	48.8	45.1	41.7	187.4
Other services	284.2	285.1	263.9	267.0	1,100.2
Real estate, renting and business services	113.3	118.0	107.4	108.1	446.8
Community, social and personal services	10.6	10.8	10.5	11.3	43.2
Hotels and restaurants	15.2	17.4	16.4	19.1	68.1
Education	90.1	90.8	82.3	79.3	342.5
Health and social work	55.0	48.1	47.3	49.2	199.6
Public administration and defense	220.6	212.6	182.0	180.9	796.1
Households with employed persons	2.1	2.1	2.1	2.2	8.5
Less: FISIM	-36.7	-35.4	-34.6	-33.0	-139.7
Plus: Customs duties	81.5	77.5	66.5	66.4	291.9
Plus: VAT on imports, net	98.5	105.0	79.2	97.1	379.8
Quarterly Gross Domestic Product	1,149.5	1,152.0	1,078.9	1,076.0	4,456.4

* Second Revision

** Flash Estimates

*** First Revision

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2005

:(2)

Table (2):Percentage Contribution to GDP in Remaining West Bank and Gaza Strip by Economic Activity for the Quarters of year 2005

Economic Activity	2005					
	** Q IV	** Q III	* Q II	* Q I	** Annual Data	
Agriculture and fishing	7.2	7.0	7.8	5.9	7.0	
Mining, manufacturing, electr. and water	11.0	12.0	13.4	14.5	12.7	
Mining and quarrying	0.4	0.4	0.4	0.4	0.4	
Manufacturing	9.2	10.1	11.3	12.3	10.7	
Electricity and water supply	1.4	1.5	1.7	1.8	1.6	
Construction	2.5	2.6	2.9	2.7	2.7	
Wholesale and retail trade	8.0	8.3	9.2	8.1	8.4	
Transport, Storage and Communications	10.1	9.7	10.7	11.0	10.4	
Financial intermediation	4.5	4.2	4.2	3.9	4.2	
Other services	24.7	24.7	24.5	24.8	24.7	
Real estate, renting and business services	9.9	10.2	10.0	10.0	10.0	
Community, social and personal services	0.9	0.9	1.0	1.0	1.0	
Hotels and restaurants	1.3	1.5	1.5	1.8	1.5	
Education	7.8	7.9	7.6	7.4	7.7	
Health and social work	4.8	4.2	4.4	4.6	4.5	
Public administration and defense	19.2	18.5	16.9	16.8	17.9	
Households with employed persons	0.2	0.2	0.2	0.2	0.2	
Less: FISIM	-3.2	-3.1	-3.3	-3.1	-3.1	:
Plus: Customs duties	7.2	6.8	6.2	6.2	6.5	:
Plus: VAT on imports, net	8.6	9.1	7.3	9.0	8.4	:
Total	100.0	100.0	100.0	100.0	100.0	

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1997 : 2005 :(3)

Table (3): GDP Per Capita by Quarters in 2005 at Constant Prices: (1997 is the base year)

Value in US\$

Indicator	GDP per capita 2005					
Region	Q IV	Q III	Q II	Q I	Annual Estimate	
Remaining West Bank and Gaza Strip	323.0	326.4	308.5	310.3	1,268.2	

1997

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2005 2004

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Table (4): GDP in Remaining West Bank and Gaza Strip by Economic Activity and Quarter for the years 2004, 2005 at Constant Prices: (1997 is the base year)

Value in million US\$

Economic Activity	2005				2004				
	***	***	*	*	*	*	*	*	
	Q IV	Q III	Q II	Q I	Q IV	Q III	Q II	Q I	
Agriculture and fishing	83.2	81.0	84.5	63.9	99.8	71.9	74.7	72.6	
Mining, manufacturing, electr. and water	126.4	138.1	144.5	155.8	129.4	139.2	143.2	152.5	
Mining and quarrying	4.6	4.7	4.8	4.2	4.0	4.4	4.5	4.6	
Manufacturing	106.2	116.3	121.8	132.2	109.6	117.8	121.2	129.1	
Electricity and water supply	15.6	17.1	17.9	19.4	15.8	17.0	17.5	18.8	
Construction	29.3	30.2	31.3	28.6	27.6	31.0	23.7	21.4	
Wholesale and retail trade	92.3	95.3	98.9	87.4	91.3	96.5	87.6	83.6	
Transport, Storage and Communications	116.3	111.7	115.5	118.0	123.7	109.5	98.2	113.0	
Financial intermediation	51.8	48.8	45.1	41.7	45.3	44.7	41.2	38.8	
Other services	284.2	285.1	263.9	267.0	270.0	260.9	252.3	264.0	
Real estate, renting and business services	113.3	118.0	107.4	108.1	114.4	106.9	99.0	108.6	
Community, social and personal services	10.6	10.8	10.5	11.3	10.8	10.4	11.2	10.9	
Hotels and restaurants	15.2	17.4	16.4	19.1	15.1	19.6	13.3	13.8	
Education	90.1	90.8	82.3	79.3	78.2	79.4	83.6	83.7	
Health and social work	55.0	48.1	47.3	49.2	51.5	44.6	45.2	47.0	
Public administration and defense	220.6	212.6	182.0	180.9	185.0	189.0	183.1	179.3	
Households with employed persons	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.2	
Less: FISIM	-36.7	-35.4	-34.6	-33.0	-32.4	-31.9	-30.8	-29.8	:
Plus: Customs duties	81.5	77.5	66.5	66.4	50.8	99.0	60.0	68.1	:
Plus: VAT on imports, net	98.5	105.0	79.2	97.1	58.8	118.5	82.5	82.3	:
Gross Domestic Product	1,149.5	1,152.0	1,078.9	1,076.0	1,051.4	1,130.4	1,017.9	1,048.0	

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1997 :

2005 -1999

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Table (5): GDP in Remaining West Bank and Gaza Strip by Economic Activity for the years 1999- 2005 at Constant Prices: (1997 is the base year)

Value in million US\$

Economic Activity	**2005	*2004	2003	2002	2001	2000	1999	
Agriculture and fishing	312.6	319.0	311.2	269.6	350.1	388.0	470.7	
Mining, manufacturing, electr. and water	564.8	564.3	532.9	580.0	614.6	668.6	655.5	
Mining and quarrying	18.3	17.5	17.0	33.0	28.9	32.6	35.7	
Manufacturing	476.5	477.7	450.7	476.3	504.6	570.2	566.4	
Electricity and water supply	70.0	69.1	65.2	70.7	81.1	65.8	53.4	
Construction	119.4	103.7	96.9	67.5	85.5	270.4	616.9	
Wholesale and retail trade	373.9	359.0	340.4	350.0	414.8	519.2	537.8	
Transport, Storage and Communications	461.5	444.4	392.0	349.6	317.3	292.5	231.0	
Financial intermediation	187.4	170.0	158.9	149.9	138.1	191.5	169.1	
Other services	1,100.2	1,047.2	1,002.5	899.1	994.6	1055.7	990.8	
Real estate, renting and business services	446.8	428.9	404.1	392.7	444.6	566.7	444.3	
Community, social and personal services	43.2	43.3	42.5	33.2	29.3	32.2	28.3	
Hotels and restaurants	68.1	61.8	58.0	60.7	104.4	93.7	128.0	
Education	342.5	324.9	315.1	287.7	290.8	244.4	262.4	
Health and social work	199.6	188.3	182.8	124.8	125.5	118.7	127.8	
Public administration and defense	796.1	736.4	694.7	578.1	628.9	559.3	497.7	
Households with employed persons	8.5	8.6	8.4	8.2	7.7	9.1	8.7	
Less: FISIM	-139.7	-124.9	-118.9	-109.6	-117.4	-154.4	-129.5	:
Plus: Customs duties	291.9	277.9	262.2	75.8	174.6	196.3	208.6	:
Plus: VAT on imports, net	379.8	342.1	313.8	338.2	309.0	264.9	254.4	:
Gross Domestic Product	4,456.4	4,247.7	3,995.0	3,556.4	3,917.8	4,261.1	4,511.7	

* Second Revision
** Flash Estimates

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