



## **The Effect of Economic Sectors in the Palestinian Gross Domestic Product (Case Study: 1995-2014)**

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### **ABSTRACT**

The purpose of this study was to recognize the effect of economic sectors and their impact on the Palestinian domestic product based on the data issued by the Palestinian Central Bureau of Statistics between 1995 and 2014. The researchers used the descriptive-analytical approach and stepwise multiple regression model to analyze the sectors. The study results showed that the impact factor of the services sector was (41%) being the least efficient in the Palestinian economy. This researchers called for starting more investments in the economic sectors, specially the agricultural one, as they play a vital role in gross domestic product.

**Keywords:** Economic sectors, Gross Domestic Product, Investment, Palestine.

**JEL Classifications:** A10, A19

### **1. INTRODUCTION**

A state economy is normally divided into different sectors; it starts with the economic resources sector where land is used excessively in agriculture and mining. As it is known in the world of economy, extracting various products, such as raw materials and primary food products, from land is in the core of this sector. It also includes agricultural activities, mining, gazing, hunting, quarrying, packaging and labelling, and preparing and using raw materials. The secondary economic sector is typically concerned with finished goods, manufacturing processes, material processing, and constructing activities; it also includes smelting metals, automobile production, textile production, chemical industries, engineering, aerospace engineering, power facilities, ship building and many others.

The service sector provides the public as well as the businesses with different types of services including retail and wholesale services, transportation, distribution, entertaining (films, television, radio, music, theater, etc.), media, insurance, banking, healthcare services and law. Undoubtedly, banking plays a

significant role in the development of the state economy; banks and financial intermediaries have a crucial impact on transforming deposits into financial assets as they transfer money from liquidity (surplus units) into deficit units (Osman, 2014).

The intellectual activities sector includes governmental work, culture, scientific research, education, and information technology. Thus, this sector can be defined, from a pure economic perspective as “the part in which businesses share the same goods or services”.

According to the Palestinian Central Bureau of Statistics (PCBS), the economic sectors are divided into a number of sectors such as the services, industry, agriculture, wholesale and retail trade, construction, and tourism. The increase in the main economic activities with a relatively higher share of the gross domestic product (GDP), including services and other sectors, is concentrated in the year 2015. The services sector is the main contributor to the GDP compared with the other activities mainly the construction activity. Preliminary estimates indicate that the largest increase was in the services sector and other branches by (3.1%). The total number of employees increased by (6.1%), while

the construction activity increased by 2.1% in 2015 within the 2014 budget. The total number of employees increased by (9.7%) in the same year (PCBS, 2016).

The researchers chose the various economic sectors as listed by the PCBS to identify their effects on the Palestinian GDP.

The contribution of the economic sectors to GDP is an urgent necessity for any emerging economy. In analyzing and knowing its results, we put our hands on the strengths and weaknesses of these sectors, especially that Palestine is under occupation and it constantly needs to rely on its economic resources away from foreign aids that fluctuate from year to year due to political factors. Hence, it was necessary for the researchers to work on the analysis of these sectors and they meant to answer the following question: How effects are the economic sectors in the Palestinian local economy?

The researchers meant to meet the following objectives:

1. Identify the various economic sectors in Palestine and their impact on the rate of growth in the gross development product.
2. Analyze and discuss the relationship between the selected sectors in the study.
3. Set the results of the study and present them to decision makers, to promote the important sectors that may serve the homeland and constitute the main axes in the Palestinian national economy.

The current study is deemed significant for the following considerations:

1. This study enables decision makers to make future plans for the Palestinian economy and help them develop it.
2. The study also explains the economic effects that have led to the growth rate of Gross Development Product in the period 1995-2014.

## 2. LITERATURE REVIEW

Singariya and Sinha (2015) conducted a study in order to identify the causal relationship between GDP, the agricultural sector and the industrial sector in India. Data were used for the period (1970-2013). The vector error correction model was used. The results of the study showed a long-term relationship between variables and a unidirectional relationship between the industrial sector and GDP on one hand, and the agricultural sector and the domestic output, on the other hand.

Uddin (2015) examined the contribution of agriculture, industry, and services to economic growth in Bangladesh. In this study, the researchers used time series data from 1980 to 2013 and employed both Augmented Dickey-Fuller and Phillips-Perron (PP) unit root tests. The study found that the time series data were stationary at first and indicated that each economic sector has strong, positive and significant linear relationship with economic growth. The results also showed that there is a bi-directional relationship between agriculture and GDP, and between industry and agriculture.

Osman (2014) conducted a study using the autoregressive distributed lag (ARDL) model as an approach to co-integration on annual time series data from (1974 to 2012) to investigate the relationship between private sector credit and economic growth in Saudi Arabia. Six variables were used, mainly GDP, private sector credit (BF), and the rest other four control variables: commercial bank's deposits (DS), government expenditure (G), inflation rate (CPI) and open economy (OPE). The study found that there is a long-run relationship between (BF) and economic growth and that there is a long-term relationship between credit and economic growth.

The study of Hussain and Yik (2012) investigated the contribution of economic sectors to economic growth in India and China using time series data from 1978 to 2007. Three economic sectors were analyzed: Agricultural sector, manufacturing sector and services sector. The researchers indicated that each economic sector has strong, positive and significant linear relationship with economic growth.

Avijit and Roy (2012) analyzed the trend in sectoral shares in state domestic product and inter-sectoral linkages in northeast India for the period 1981-2007. They showed that there exists a bi-directional causality among the sectoral output of northeastern states and that there exists a unidirectional causality running from the agricultural sector and the industrial sector to the services sector.

Chakravarty and Mitra (2009) carried out a study to find whether the industrial sector is the main driver of the economy using time series. The researchers found that manufacturing is clearly one of the determinants of overall growth, but construction and services also turn out to be important, especially for manufacturing growth.

In another study, Garcia (2008) tried to identify the relationship between the transportation sector and the economic growth and activity using the cross sectional data. The study results showed that there is a relationship between the transportation system and the economic growth.

Haiss and Sümegi (2006) used a cross-country panel data from 29 European countries over the 1992-2004 period to find out the impact of the insurance sector on the growth of the GDP. The researchers revealed that life insurance has more impact on the economic growth of European countries compared with other kinds of insurances and that the insurance sector, in general, does not significantly affect the economic growth.

Alfaro et al. (2003) investigated the relationship between the foreign direct investments, the financial markets and the economic growth using cross country data over the 1975-1995 period. The results of this study showed that foreign direct investment plays an important role in economic growth in countries with good financial markets.

Alfaro (2003). This study aimed at identifying the impact of foreign direct investment on industrial and agricultural sectors as well as the benefits of foreign direct investment (FDI) on

growth in the primary, manufacturing, and services sectors. The researcher argued that FDI can have great advantages to hosting countries. She employed an empirical analysis using cross-country data for the period 1981-1999. The study results suggested that total FDI exerts an ambiguous effect on growth. Foreign direct investments in the primary sector, however, tend to have a negative effect on growth, while investment in manufacturing a positive one.

According to a study Sastry et al. (2003) agriculture contributed to industrial growth through production channel during 1960's, but by 1990's it contributed greatly through the demand channel. The researchers studied the correlation between industry, agriculture and services. The results of this study showed that the agricultural sector continues to play a major role in economic growth, in addition to its relationship with other sectors.

### 3. RESEARCH METHODOLOGY

This study is based on the empirical approach which includes: (1) Adopting the descriptive-analytical approach to demonstrate the development of the Palestinian GDP over the period 1994-2014, and (2) adopting the quantitative analytical method based on the use of standard methods in building a standard model in order to interpret the various indicators or indexes of the Palestinian GDP. The researchers used secondary data obtained through the publications issued by the PCBS, concerning economic indicators and GDP. The ready-made Statistical Packages for the Social Sciences was also used.

#### 3.1 Research Hypothesis

The research is based on the premise that “economic indicators have an important role to play in achieving growth and economic prosperity for the Palestinian economy through their significant contributions and strong impact on GDP.”

#### 3.2. Description of Study Variables

##### 3.2.1. Agriculture and fishing sector

The agriculture and fishing sector is one of the most influential sectors that affect the Palestinian GDP. Data obtained from the PCBS show that the share of agriculture and fishing in the Palestinian GDP was (13.26%) in 1994; the percentage dropped to (11.18%) in 1995 but in 1996 it increased to (11.01%); however, the percentage of GDP declined to (3.77%) in 2014. This decrease is due to the lack of interest of the Palestinian population in the agricultural sector due to a number of factors including (1) the high cost of seeds, fertilizers, chemicals and pesticides that farmers require to protect their products and farms, (2) the reduction of government financial aids/support to farmers as well as material support which provide farmers with seeds and pesticides, (3) lack of governmental support in helping farmers in marketing their products internally or externally. (4) The confiscation and occupation of agricultural land and the prevention of farmers from the reclamation of lands adds fuel to the fire and aggravate the situation for Palestinian farmers. It is worth mentioning that much of the agricultural land has been swallowed up and lost by the construction of the Israeli Segregation Wall, thus reducing the contribution of this

sector to the GDP. As for fishing, the harassment of Palestinian fishermen by the Israeli occupation together with the many complications (including the narrowing of fishing areas that are allowed to fishermen to work in, the continuous threatening of these fishermen via firing or shooting them, and other forms of harassment) exerted by the Israeli occupation contribute to the reduction of this sector to the Palestinian economy. In general, we can say that the average contribution of agriculture and fishing in the Palestinian GDP shows the relative importance of agriculture and fishing in the GDP over the 1994 to 2014 period (Figure 1).

Figure 1 above shows the continuous decline in the contribution of agriculture and fishing in the Palestinian GDP as a result of the previously explained reasons.

##### 3.2.2. Mining and industries sector

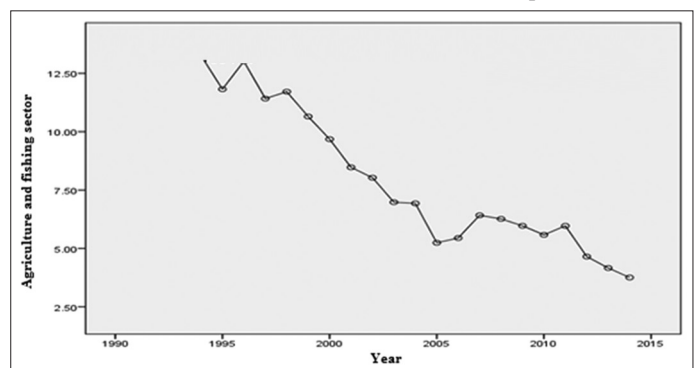
The mining and industries sector is a vital sector; it plays an active role in driving the growth and development of the Palestinian national economy. Although its contribution fluctuates over different periods of time, its role remains very significant; it is one of the most important branches of the national economy because of its impact on the development of local mineral resources and industries as well as human resources. Therefore, concerted efforts must be made to increase its contribution and develop it. The data obtained showed that the share of the mining and industries sector in the GDP reached (22%) in the year (1994). However, this percentage fluctuated constantly during the years in which data were obtained, but this does not mean that the decline is significant. The results showed that the average percentage of the importance of this sector during the period 1994-2014 was 16.98%. This high percentage demonstrates the importance of this sector. Figure 2 illustrates the graphical representation of the relative importance of the mining and industries sector to the Palestinian GDP.

Figure 2 above shows the continuous decline in the contribution of mining and industries in the Palestinian GDP as a result of the previously explained reasons.

##### 3.2.3. Construction sector

The construction sector in Palestine is an important economic sector. This sector is unique in its diversity of expertise and

**Figure 1:** The relative significance of agriculture and fishing sector to the Palestinian GDP over the 1994 to 2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

its interrelationships with a number of other sectors, making it more sensitive to changes in economic manifestations as well as demographic and social factors.

Specialized technical cadres (including engineers, technicians, construction industries, materials and heavy equipment with multiple sources and specifications) are available; this indicates and demonstrates the magnitude of financial investments in this sector. The development of this sector is institutional and artistic; it goes side by side with the overall development witnessed in Palestine in all fields. The results indicate that the contribution of the construction sector in the GDP reached (11.11%) in 1994; however, it decreased to (5.36%) in 2012 and then increased in 2013 until it reached (10.14%). However, the contribution rate of the construction sector dropped significantly to (7.15%) in 2014. This volatility or fluctuation in percentages can be attributed to the instability in the economic situation as well as the high percentages of unemployment within the Palestinian society. There are many jobless professionals and technicians despite being qualified in Palestine; most of them are college and university graduates. This is reflected negatively on Palestinian GDP. Figure 3 below illustrates the relative importance of the construction sector to the Palestinian GDP.

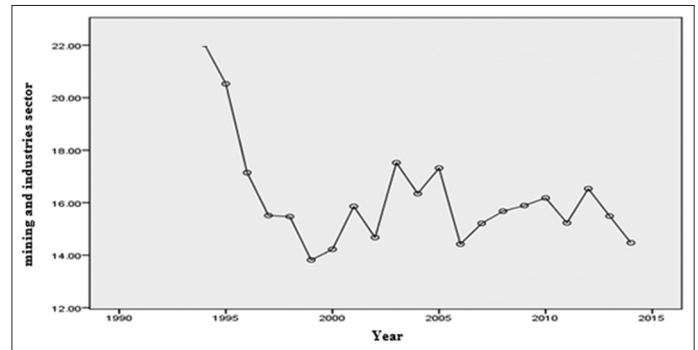
Figure 3 shows that there is a large disparity in the contribution of the construction sector to the Palestinian GDP. There is a large contribution in the pre-2000 period, yet the contribution started to decline to almost its lowest level in 2007 and 2008. After that the contribution started to rise in the year 2013. In general, the average contribution to GDP during the period 1994-2014 reached (7.20%) which is acceptable in the budget compared with the average contribution of the other sectors.

### 3.2.4. Transportation and storage sector

Transportation and storage activities represent the strength of the Palestinian governorates' links with the outside world as well as their importance in facilitating the movement of people and goods within the country. At the same time, economic development requires parallel development in the availability of land, sea and air transport. Storage activity is not less important than the rest of the activities; it is responsible for providing suitable places to hold raw materials, products and strategic goods safely until the time of need. However, due to the complex situation in Palestine, the Israeli occupation, the closure of roads and the tightening of the siege on the Palestinian citizen that hinders them to move freely within the boundaries of Palestinian peripheries and the governorates, the percentage of the contribution of this sector to the national GDP has been constantly low. In 1994, the percentage reached (3.4%). Then it dropped to (1.6%) in 2014. Figure 4 shows the share of the transportation and storage sector in the Palestinian GDP.

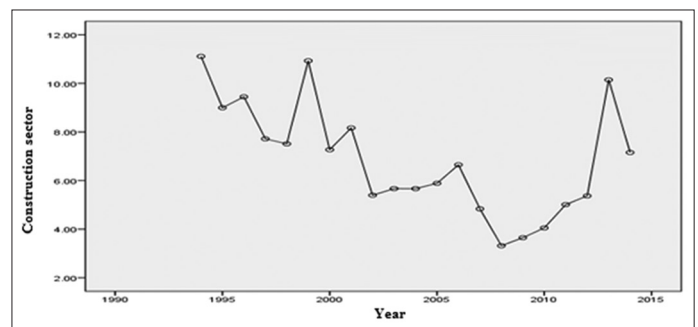
Figure 4 shows that the highest contribution to this sector was in 2002 (about 3.9%). The figure also indicates a rapid decline in the contribution of this sector after 2005 until it reached the lowest rate in 2014. The average contribution of the transport and storage sector in the GDP during the period 1994-2014 was about (2.7%). In fact, it is a low contribution compared with the rest of the GDP components.

**Figure 2:** The relative significance of mining and industries sector to the Palestinian GDP over the 1994 to 2014 period



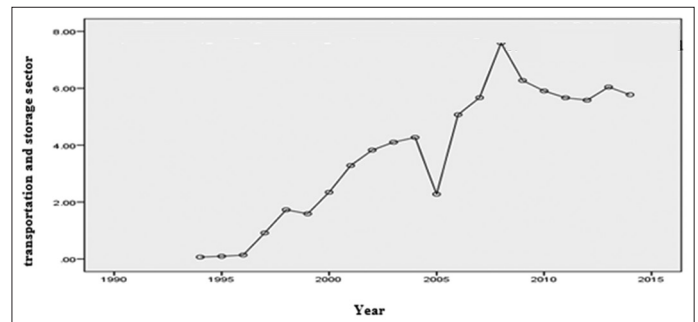
Source: The Palestinian Central Bureau of Statistics (PCBS)

**Figure 3:** The relative significance of construction sector to the Palestinian GDP over the 1994-2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

**Figure 4:** The relative significance of transportation and storage sector to the Palestinian GDP over the 1994-2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

### 3.2.5. Financial services and insurance activities sector

Financial services and insurance activities are normally performed by financial institutions that include a wide range of establishments that manage funds, including credit unions, banks, credit card companies, insurance companies, finance companies, financial speculation companies, investment management companies and some government-funded companies. The financial services and insurance activities in 1994 contributed about (0.99%) to the Palestinian GDP. This percentage began to rise until it reached (5.97%) of GDP in 2007. However, this percentage started to decline until it ranged from 3.2% to 3.7% in the years 2009-2014. Figure 5 below shows the relative importance of the financial services and insurance activities sector in the national GDP of Palestine.



Figure 5 above shows that the contribution of this sector to the Palestinian GDP has increased until it reached its highest level in 2007. After that, this percentage started to decrease, but the contribution of the sector during the period (2009-2014) remained higher than the contribution of this sector in the period before the year 2000. Despite the decrease in the contribution (in general), the average contribution of the financial services and the insurance activities in GDP was (3.8%) which is low compared with other components of the Palestinian GDP.

### 3.2.6. Information and telecommunications sector

The importance of information and telecommunications sector in the growth and development of countries - given their impact and role in formulating sound strategies for economic and social growth - has made many countries or states more interested in this activity to accelerate the reduction of the digital gap between the developed countries and the third world countries. The interest of countries in formulating policies and strategies for the development of the information technology sector in a clear and calculated manner is deemed significant for these countries due to their role in raising growth rates and achieving well-being for societies. Hence, countries pay special attention to the information and Telecommunications infrastructure and seek to link all government departments together through one efficient network in order to provide reliable, high quality services to the public. The information sector affects the overall national GDP. The contribution of this sector to the Palestinian GDP until 1996 was almost non-existent because of the lack of infrastructure for this sector prior to the arrival of the Palestinian National Authority (PNA), so its contribution was almost non-existent. When the PNA established the necessary infrastructure for information and Telecommunications, the sector began to show its impact on GDP. The contribution of this sector to GDP in 2008 was about (7.8%); then it decreased to (5.8%) in 2014. The average contribution of this sector to the GDP during the period 1994-2014 was about (3.9%), which is a small contribution to the budget compared with other sectors such as the mining sector, the industries or the services sector. Figure 6 represents the relative importance of the information and Telecommunications sector during the period (1994-2014).

Figure 6 shows that the contribution of the information and Telecommunications sector was weak and almost no-existent during the first period of establishing the PNA in 1994. However, this ratio began to increase until it reached the highest level in 2008, yet the rate began to decline. The contribution rate remained better than the contribution in the first period of the arrival of the PNA.

### 3.2.7. Services sector

The services sector is an important sector that has an impact on GDP. The sector is engaged in accommodation services, food, real estate and rental activities as well as professional, scientific and technical activities. The sector also includes support services, education, health, social support, arts, entertainment, recreation and other service activities. The share of this sector in GDP in 1994 was around (25%), and this percentage remained fluctuating (between 18% and 24%) during the period 1995-2014. The results indicated that the services sector contributed an average of (23.7%)

to the GDP. Therefore, this sector is considered as one of the most important contributing sectors to the Palestinian GDP. Figure 7 shows the relative importance of the contribution of this sector during the period 1994-2014 in the GDP.

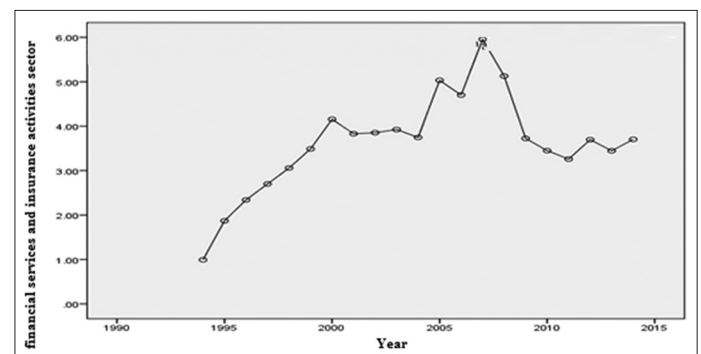
As stated above, the services sector had the highest contribution rate in 2002 (25.39%), after which it started to decrease until it reached the lowest level (18.6%) in 2010; then the percentage rose to (20.8%) in the year 2014.

### 3.2.8. Public administration and defense sector

The sector of public administration and defense is one of the sectors that contribute a high percentage of the Palestinian GDP. The average contribution of this sector to the GDP during the period 1994-2014 was about (14.4%). The results showed that the contribution of this sector to GDP reached (18.195%) in 2006, which is one of the highest rates of contribution to GDP. The lowest contribution was in 1994 (9.59%). Figure 7 shows the relative importance of the sector of public administration and defense to the GDP over the period (1994-2014).

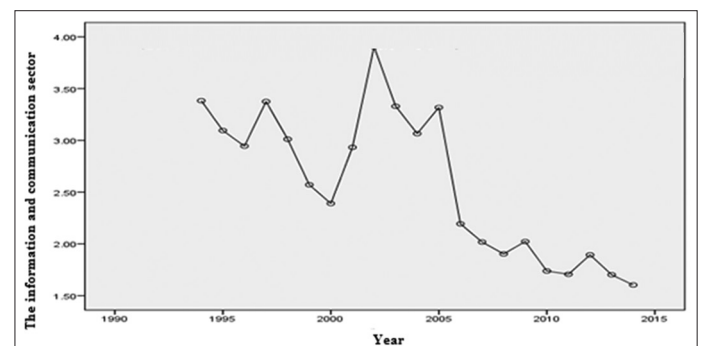
Figure 8 shows that the contribution of this sector to the GDP was fluctuating: sometimes increasing and other times decreasing. Its highest contribution was in 2006; then it decreased after 2006.

**Figure 5:** The relative significance of the financial services and insurance activities sector to the Palestinian GDP over the 1994-2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

**Figure 6:** The relative significance of the information and Telecommunications sector to the Palestinian GDP over the 1994-2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

However, the contribution of this sector after 2006 was higher than that during the pre-2000 period.

In conclusion, a state economy should not be judged by one economic activity, but by considering all sectors of that economy. Interference and mixing between the various sectors, and the variation in performance is normal in different economic conditions. And is not measured by the performance of the sector alone. Looking at the various readings or results of the years (1994-2014), the researchers suggest that the variation in the effect of each activity contributes to the overall economy. There are sectors that drive growth positively, thus contributing to the reduction of some inactive, fluctuating sectors or economic activities. In the light of these findings, the researchers summarized the various contributions of all the sector in Table 1.

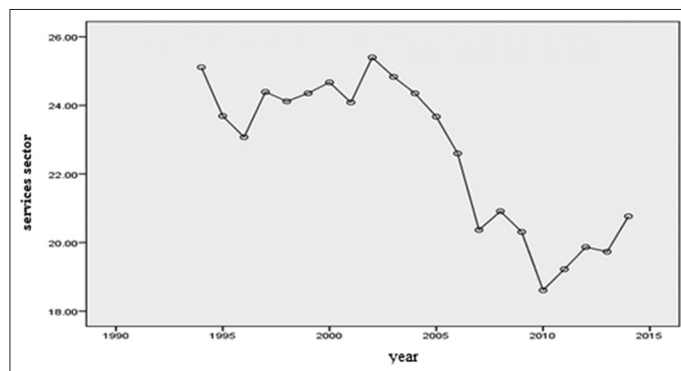
When tracking the development of GDP at the sector level, one can see that there are sectors that have achieved higher growth rates than the overall GDP growth rate of the country such as the information and telecommunications sector (58.94%), the financial services and insurance activities (18.024%), the construction sector (10.017%), and the public administration and defense sector (9.938%). These high rates are due, inter alia, to the large volume of investments directed at these sectors due to several considerations especially because some of them are fundamental to the process of development or to the goal of raising living standards, on the one hand or because the contribution of these sectors to gross national income is less than the rest of the sectors, on the other hand. Thus, the government has focused on them as an attempt to diversify their sources of income. There are also sectors that have achieved growth rates similar to or close to the GDP growth rate including the services sector (7.085%) as the state is trying to meet the needs of population and keeping track of development. Furthermore, this sector is of great importance to all other sectors of production. In the light of urban development, the Palestinian Authority was forced to exert much efforts in developing this sector and providing all necessary equipment and tools to develop it constantly. There are sectors with growth rates below the overall state GDP growth such as agriculture and fishing (2.138%), mining and industries (6.423%) and transport and storage (4.792%). As for the agriculture and fishing sector, the volume of investments directed at it has not been high to reflect high growth rates due to the harassment of the fishermen in the Gaza Sea, the killing and displacement of the fishermen and the confiscation of large areas of agricultural land which is considered as a major source of income for the Palestinian farmer.

#### 4. ESTIMATING STANDARD RESEARCH MODELS/SECTORS

To determine the effect of the different sectors that constitute the main indicators or sources of the GDP, simple regression analysis was used on available data. The results of the models are presented in Table 2.

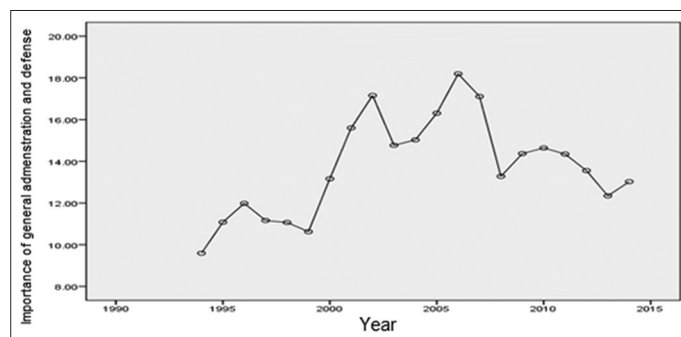
Table 2 shows that there is a significant effect for each source/sector of the GDP at a significant level (1%). This is based on the

**Figure 7:** The relative significance of services sector to the Palestinian GDP over the 1994-2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

**Figure 8:** The relative significance of the sector of public administration and defense to the Palestinian GDP over the 1994-2014 period



Source: The Palestinian Central Bureau of Statistics (PCBS)

**Table 1: Relative effect and annual growth rate of the sources of the Palestinian GDP during the years of study (1994-2014)**

Sources/sectors	Relative effect (%)	Growth Rate (%)
Agriculture and Fishing	8.272	2.138
Mining and Industries	16.977	6.423
Construction	7.197	10.017
Transportation and Storage	2.70	4.792
Financial Services and Insurance Activities	3.80	18.024
Information and Telecommunications	3.912	58.94
Services	23.707	7.085
Public Administration and Defense	14.419	9.938
GDP		8.117

Source: Researchers. GDP: Gross domestic product

moral levels of the t-test values, which were all lower or equal to (0.001) as follows:

Agriculture and fishing sector: The higher the income from this sector, the higher the domestic production which increased by (657) thousand dollars. (43.1%) of the changes in the GDP is caused by the agriculture and fishing sector.

Mining and manufacturing industries: The higher the income from this sector, the higher the domestic production which increased by (988) thousand dollars. (97.6%) of the changes in the GDP is caused by the mining sector and manufacturing industries.

Construction sector: The higher the income from this sector, the higher the local production which increased by (797) thousand dollars. (63.5%) of the changes in the GDP is caused by the construction sector.

Transportation and storage sector: The higher the income from this sector, the higher the domestic production that increased by (905) thousand dollars. (81.8%) of the changes in the GDP is caused by the transport and storage sector.

Financial services and insurance activities: The higher the income from this sector, the higher the domestic production which increased by (922) thousand dollars. (85.1%) of the changes in the GDP is caused by the financial services and insurance activities.

Information and telecommunications sector: The higher the income from this sector, the higher the domestic production that increased by (964) thousand dollars. (92.9%) of the changes in the GDP is caused by the information and Telecommunications sector.

Services sector: The higher the income from this sector, the higher the domestic production which increased by (993) thousand dollars. (98.7%) of the changes in the GDP is caused by the service sector.

Public administration and defense sector: The higher the income from this sector, the higher the domestic production which increased by (969) thousand dollars. (93.9%) of the changes in the GDP is caused by the public administration and defense sector.

To find out the most effective sectors in the GDP, the gradual multiple regression analysis was used. The results of this gradual regression analysis are illustrated in the following table:

Table 3 above shows that there is a significant effect of the sectors shown in the table on the overall Palestinian GDP. The results showed that the most influential sector in GDP is the services sector with (0.41) impact. This means or leads to the stabilization the rest of the other sectors. The increase in the GDP is \$ 410,000 when the income from the services sector increases, while the public administration and defense sector has an average impact of (0.213) on the GDP. This means that the amount of the increase in the Palestinian GDP is \$ 213,000 when the income is increased by this sector. The results showed that the sector with the lowest impact on the GDP compared with the other sectors is the construction sector. The sector has an impact rate of (0.044), indicating that this sector leads to an increase in the GDP of \$ 44,000. All these sectors contribute 100% to the Palestinian GDP.

## 5. RESULTS AND RECOMMENDATIONS

### 5.1. Results

1. The GDP in 1994 amounted to (3759.8) million dollars, while the GDP in 2014 was (12765.8) million dollars which means that the amount of growth in GDP during the period 1994-2014 reached (339.53%). Thus, the GDP has doubled about three and a half times during the said period.
2. The results in Table 2 show that the sectors analyzed in the current study proved to have led to an increase in the GDP, but this increase varied according to the sector under scrutiny. The results, in the table, also indicate that the most influential sector in the GDP is the services sector.
3. There is a significant effect for each sector in the GDP, as indicated by the results of the simple regression, at the level of significance (1%) as shown in Table 2.
4. When looking at the results of gradual regression, the researchers note that some sectors that had a significant effect on the mean slope started have no effect at all when other sectors exist such as transportation and storage sector and

**Table 2: Results of simple linear regression models of the Palestinian GDP sources during the period 1994-2014**

Sources/Sectors of GDP	Impact Rates	Contribution Percentage (%)	t-value	Significance
Agriculture and Fishing	0.657	43.1	3.797	0.001
Mining and Industries	0.988	97.6	27.878	0.000
Construction	0.797	63.5	5.745	0.000
Transportation and Storage	0.905	81.8	9.246	0.000
Financial Services and Insurance Activities	0.922	85.1	10.402	0.000
Information and Telecommunications	0.964	92.9	15.758	0.000
Services	0.993	98.7	37.485	0.000
Public Administration and Defense	0.969	93.9	17.053	0.000

Source: Researchers

**Table 3: Results of the stepwise multiple regression model for the sources/sectors of the Palestinian GDP during the period (1994-2014)**

Sources/Sectors of GDP	Impact Rates	Contribution Percentage	t-value	Significance
Services	0.410	100%	11.839	0.000
Mining and Industries	0.209		7.550	0.000
Public Administration and Defense	0.213		7.756	0.000
Agriculture and Fishing	0.074		9.558	0.000
Information and Telecommunications	0.100		4.345	0.001
Construction	0.044		3.677	0.002

Source: Researchers

financial services and insurance sector due to the existence of other sectors which have higher impacts which, consequently have led to the exclusion of these two sectors in this study.

5. The results of the stepwise multiple regression indicate that the most influential sectors that have the highest coefficient influence on the GDP is the services sector. The impact factor for this sector is (0.41), while the least influential sector in GDP is the construction sector with impact as (0.044).

## 5.2. Recommendations

1. One of the most important obstacles that faced researchers in the preparation of this research is the secrecy and lack of data required for conducting the research. This, of course, did not encourage the researchers to study the state economy in detail. Therefore, researchers recommended that much attention should be given to the issue of providing researchers with economic data. Research and studies carried out in this regard will support economic actors in developing their plans.
2. Very few studies and applied economic researches, concerning the economy of the State of Palestine, in general, have been conducted; the majority of what has been achieved is mostly descriptive studies that do not deal with or employ advanced statistical methods; consequently, the researchers recommended prospective scholars to deepen their horizons and conduct future studies and research using statistical and quantitative methods that have an effective role in the analysis of economic variables and indicators scientifically, efficiently and effectively for the sake of predicting future plans and developments, thus enabling decision-makers to develop their sound plans.
3. In this regard, the researchers propose the establishment of a mechanism for cooperation and coordination between all the ministries of state that are concerned with the economy, such as the Ministry of Economy and Planning, the Ministry of Industry and Finance, the Ministry of Foreign Trade, the Ministry of Energy, the Ministry of Agriculture and others. The ministry of Education and Higher Education should also suggest and provide the faculties of management and economics in universities with plans and ideas for further investigation as topics for master's theses and doctoral

dissertations which can be implemented and thus benefit all parties involved.

4. The researchers recommended the need to pay attention to investment in the industrial and agricultural sectors due to their great significance or effect in the GDP.

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