

PALESTINIAN ECONOMIC BULLETIN

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Main reports

Unemployment rose slightly from 27.5% to 27.9% in Q4 2008 in the Palestinian Territory (according to the ILO definition). Unemployment in the West Bank decreased from 20.7% in Q3 2008 to 19.8% in Q4 2008 but rose in Gaza from 41.9% to 44.8% in Q4 2008.

The percentage of Palestinian businesses expecting production to rise over the medium term (six months) in January 2009 was 44.9% higher in the West Bank than those expecting a decline and 70.4% higher in the Gaza Strip, where there was an overall expectation of some improvement after the conflict.

The number of hotel guests in the Palestinian Territory rose to 117,545 in Q4 2008 (an increase of 18.6% from the previous quarter). Guests spent a total of 309,638 nights, (23% more than in Q3 2008). 56% of the total nights were spent in Jerusalem hotels.

The Palestinian Securities Exchange is among the first of the Arab securities exchanges to provide an e-trading service. 18.9% of total trading is already conducted online. Eight out of the nine brokerage firms for the PSE now offer online trading; Palestinian companies released their preliminary financial data for 2008.

Gaza Pledges

Despite the substantial sums pledged at the Sharm El Sheikh conference, there are rising concerns that the aid will not reach Gaza and conditions will continue to stagnate. The delivery of funds is uncertain, especially since the announced resignation of Prime Minister Fayyad and his Government on 7 March and the lack of progress on a National Unity Government. Seven weeks after the military operation, 90% of Gazans still need food aid and many people are in temporary accommodation. Demand for rental apartments is sky-high, in particular since UNRWA's schools reopened and children returned to their classes. Rents have risen as much as 150%, according to the local population¹. Basic necessities such as cooking gas canisters and washing powder are hard to come by.

\$4.4bn was pledged for the Palestinian Authority (PA) at the Gaza Reconstruction Conference on 2 March. Earlier pledges bring the figure to \$5.2bn.² Among the pledges were the Arab Gulf States' five year contributions of \$1.7bn, a US pledge of \$900m (of which \$300m will be directed to Gaza reconstruction), \$553m from the EU and \$42m from the UK. A complete breakdown of pledges is not yet clear.

At the conference, the PA asked for \$1.6bn to cover the Gaza reconstruction costs and supplementary budget support requirements (\$1.15bn for general budget support had already been requested.) A needs assessment for Gaza was presented by the PA at the conference. The plan focused on early recovery projects and medium-to-longer term reconstruction interventions. "Our goal is not only to restore the pre-war situation in Gaza, but to create a decent standard of living," said the Prime Minister, Salam Fayyad.³ Infrastructure (water and sanitation, housing and power networks) and medical and school facilities will be completely rebuilt.

Sector Costs in the Gaza Early Recovery & Reconstruction Interventions

Sector	Total Cost (\$m)
Social	315
Infrastructure	501
Economic	412
Governance	68
Natural Resources and the Environment	29

Successful reconstruction depends on drastically easing current restrictions on bringing fuel, construction and other materials into Gaza. Without these materials, it will be impossible to start reconstruction. The PA encouraged donors to channel assistance for Gaza through the Single Treasury Account,

¹ See: Al-Ayaam 4 /3/ 09

² See: <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=36172>

³ See: <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=36157>

as direct, un-earmarked budget support. Donors can also provide support through mechanisms such as the EU's PEGASE, the PRDP trust fund administered by the World Bank and Arab and Islamic development funds.

Strikes

42,000 public employees went on a one day strike on 15 February over the delayed payment of monthly salaries. Prime Minister Fayyad said the delay was due to the reallocation of the PA budget to support Gaza. The EU channelled €25.5m to the PA to help pay the salaries and the pensions of 78,000 public employees. By taking out loans from commercial banks, the PA began to disburse salaries on 17 February. The PA needs over \$80m to pay monthly wages for 170,000 civil service workers (77,000 of whom are in Gaza).⁴

Teachers have demanded a 2.8% pay increase to cover the rising cost of living.⁵ West Bank schools run by the PA were closed at the end of February and the beginning of March following the government's failure to meet union demands. Other demands included the regular payment of salaries for teachers on yearly contracts and overtime payments.⁶

Students of Birzeit University went on strike to convince the university's administration to retract a proposed tuition fee increase. "3,000 students are unable to register because of their difficult economic situation and [the PA's] delay of paying the salaries and the rise in tuition fees" said Deia Qendah, the student council head.⁷

Many of UNRWA's 4,500 employees went on successive strikes after their union's demands for improvements, such as a two day weekend and a salary adjustment according to the rising cost of living, were refused by the UNRWA administration.⁸

Labour Force Q4 2008

Unemployment rose slightly from 27.5% to 27.9% in Q4 2008 in the Palestinian Territory (according to the ILO definition). Unemployment in the West Bank decreased from 20.7% in Q3 2008 to 19.8% in Q4 2008 but rose in Gaza from 41.9% to 44.8% in Q4 2008.

Higher unemployment was measured in the southern governorates of the West Bank, with 28.9% unemployment in the governorate of Bethlehem and 28.8% in the Hebron governorate. The Khan Younis

governorate registered the highest unemployment rate in the Gaza Strip at 47.1%.

According to ILO standards, employment participation levels stood at 41.4% (646,000 persons) falling only very slightly from 41.6% in Q3 2008, (649,000 persons). Meanwhile, the number of employed women increased substantially from 116,000 in Q3 2008 to 125,000 in Q4 2008. The public sector accounted for 15.4% of total employment in the West Bank and 53.8% in the Gaza Strip.

The West Bank daily net wage increased to 87.4 NIS, a 10% increase from 78.9 NIS a year ago (Q4 2007). Gaza pay also increased from 57.1 NIS in Q3 2008 to 61.2 NIS in Q4 2008, still lower than 64.1 NIS in Q4 2007. The average weekly hours in the Gaza Strip fell from 43.4 hours to 39.9 hours.⁹

Indices

In January, the Consumer Price Index (CPI) decreased by 0.7% to 121.57. CPI fell in the West Bank and East Jerusalem by 1.1% and 1.2% respectively but rose in the Gaza Strip by 0.2%. The housing and transportation groups declined by -2.8% and -2.1%, while the furniture and household goods groups increased by 0.8% and alcoholic beverages and tobacco by 0.7%.¹⁰ In the West Bank, the Construction Cost Index (CCI) decreased by -0.3% in January 2009. The greatest decreases were in the wood products group (-4.9%), steel (-3.3%) and stone and sand quarrying (-2.4%). The cost of wages and labour increased by 1.7% and the metal tools group costs increased by 1.4%.¹¹

Business Confidence

The Palestinian Central Bureau of Statistics (PCBS) released its latest survey on Industrial Establishments.¹² The survey reported that in January 2009, the percentage of Palestinian businesses expecting production to rise over the medium term (six months) was 44.9% higher in the West Bank than those expecting a decline and 70.4% higher in the Gaza Strip, where there was an overall expectation of some improvement after the conflict. While production performance completely halted in the Gaza Strip for most of January, 17.4% of owners and managers of industrial enterprises in the West Bank reported an improvement on the previous month. 13.6% of West Bankers thought their business financial situation had improved. 74.1% of owners and managers in Gaza laid off workers in January, while only 10.9% fired employees in the West Bank.

4 See: <http://www.maannews.net/en/index.php?opr=ShowDetails&ID=35550>

5 See: February 2009 Bulletin

6 See: <http://www.maannews.net/en/index.php?opr=ShowDetails&ID=35669>

7 See: <http://www.maannews.net/en/index.php?opr=ShowDetails&ID=35808>

8 See: <http://www.maannews.net/en/index.php?opr=ShowDetails&ID=35569>

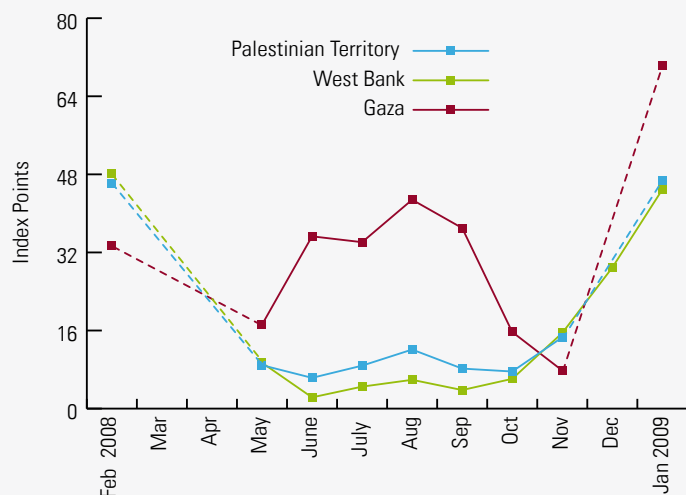
9 See: http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/labourforce_e.pdf

10 See: http://www.pcbs.gov.ps/Portals/_pcbs/cpi/cfee6e12-a20d-4073-bd27-dc2d8d2fe055.htm

11 See: http://www.pcbs.gov.ps/Portals/_pcbs/cpi/cfee6e12-a20d-4073-bd27-dc2d8d2fe055.htm

12 See: http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/etejahat_E08.pdf

Medium Term Business Optimism*



* Optimism is defined as the percentage of businesses expecting production to be somewhat or much better minus the percentage expecting it to be somewhat or much worse.

PCBS did not release business confidence surveys for January, March and April 2008. It released partial data for December 2008.

Tourism On The Rise

The number of hotel guests in the Palestinian Territory rose to 117,545 in Q4 2008 (an increase of 18.6% from the previous quarter).¹³ Guests spent a total of 309,638 nights, (23% more than in Q3 2008). 56% of the total nights were spent in Jerusalem hotels. 10% of guests were Palestinian and 45% were from the European Union. In December 2008, there were 85 hotels operating in the Palestinian Territory, with 4,172 rooms and 8,854 beds. The hotels operated at a 29.8% occupancy rate, 6.7% more than in Q3 2008. There were 1,412 workers in Palestinian hotels, of which 188 were female.

Despite the overall positive results, the Gaza operation in December severely impacted the tourism sector in the West Bank over the Christmas and New Year period. According to a report by the Federation of Arab Hotels in Palestine, thousands of hotel reservations were cancelled, resulting in a loss of roughly \$4m. The report estimated that 60% of hotel employees have since lost their jobs.¹⁴

As a boost to the sector, Italy will announce an economic aid plan for the West Bank at the next G8 meeting in July. The initiative will include funding for an airport and tourist infrastructure. "The construction of an international airport [will be] capable of attracting a great number of Catholic tourists interested in visiting holy Christian sites from Bethlehem," said Prime Minister Silvio Berlusconi.¹⁵

¹³ See: http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/hotel_e0209.pdf
See: http://www.pcbs.gov.ps/Portals/_PCBS/TourismQuarters/Q3_08/e1.htm

¹⁴ See: <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=35586>

¹⁵ See: <http://g8live.org/2009/02/27/rome-to-propose-west-bank-aid-plan-at-g8-berlusconi/>

Online Trading

A greater number of stocks listed on the Palestinian Securities Exchange (PSE) will soon be traded on the internet as another brokerage firm, Al-Wataniyeh Securities, begins providing e-trading services. Eight out of the nine brokerage firms for the PSE now offer online trading. "The service will enable investors to sell and buy stocks online more effectively and expediently and without having to contact the company" said Ahmad Al-Asa, the director at Al-Wataniyeh Securities. Launched in April 2007, the PSE is among the first of the Arab securities exchanges to provide an e-trading service.¹⁶ 18.9% of total trading is already conducted online. Sufyan Barghouti, Manager of the Ramallah branch of the PSE, told the Bulletin that he expects the proportion of online trading to rise.

A pilot 'Stock Simulation' programme will be launched in March by the PSE at An-Najah, Birzeit and Al-Quds universities. The programme has been developed by Al Irsa Programming and IT Company. Around 20 students will take part in the pilot programme that will help university students develop their ability to analyse and make strategic investments in stock markets. Their portfolios will be evaluated after two months and those who best maintain their portfolio will be given a 'virtual \$50,000' and further technical training on investing. The telecommunications company Jawwal will sponsor prizes of \$5,000, \$3,000 and \$2,000 to the three best students in each university at the end of the programme. The PSE plans to run two rounds of the programme each academic year and eventually offer the programme to the general public.

February Trading

The Al Quds index remained steady during February 2009, decreasing by just 0.3%, or 6 points, to reach 510.35 points on the last day of trading in the month. In 20 trading sessions, 50.4 million shares changed hands, a huge leap of more than 500% compared to January 2009.¹⁷ This was predominantly due to the Global share sale (see next story).

GLOBAL

GLOBAL, the Kuwaiti Investment House, has undertaken a series of cash-raising transactions, despite boasting 14.3% returns in 2008 from their Palestine Dedicated Fund. GLOBAL sold 16 million shares in the Palestine Real Estate Investment (PRICO) worth \$18m¹⁸ to the Palestine Development and Investment Company

¹⁶ See: <http://www.maannnews.net/en/index.php?opr=ShowDetails&ID=35747>

¹⁷ See February 2009 Bulletin

¹⁸ See: <http://www.alquds.com/node/138427>

(PADICO) last month. This increased PADICO's share in PRICO from 38.5% to 71%.¹⁹ GLOBAL also sold \$15m worth of shares in the Islamic Arab Bank to a number of investors, including the Palestine Investment Fund (PIF) and the Bank of Palestine²⁰. GLOBAL was founded in 1998 and has one of the largest asset management businesses in the region (\$7.8bn assets under management in 2007).²¹

Preliminary Results

Palestinian companies released their preliminary financial data for 2008. Performance was mixed.²²

Listed Company	Reuters RIC	Pre-tax Profit 2008	Pre-tax Profit 2007 final	Change
Banking				
Al-Quds Bank for Development and Innovation	QUDS	- \$ 5,000,503 (loss)	\$792,317	-731%
Arab Islamic Bank	AIB	\$ 6,289,417	\$4,726,545	33.1%
Bank of Palestine	BOP	\$ 28,043,116	\$25,002,997	12.2%
Palestine Investment Bank	PIBC	\$ 4,093,090	\$4,999,484	-18.1%
Industry				
Birzeit Pharmaceuticals	BPC	JD 3,402,879	JD 4,059,281	-16.2%
Jerusalem Cigarette	JCC	JD 3,097,854	JD 2,182,259	42.0%
Jerusalem Pharmaceutical	JPH	JD 2,007,068	JD 1,717,014	16.9%
Services				
Palestine Electric	PEC	\$ 6,615,981	\$ 4,355,802	51.9%
Palestine Telecommunications	PALTEL	JD 89,759,242	JD 65,708,207	36.6%
Insurance				
Ahliea Insurance Group	AIG	\$ 1,484,133	\$ 2,351,040	-36.9%
National Insurance	NIC	\$ 3,310,095	\$ 3,275,301	1.1%
Investment				
Palestine Development and Investment	PADICO	\$ 23,740,000	\$ 35,455,000	-33.0%
Palestine Real Estate Investment	PRICO	- JD 2,696,096 (loss)	JD 711,175	-479%
Union Construction and Investment	UCI	\$ 3,175,770	\$ 4,347,527	-27.0%

19 See: <http://www.mubasher.info/BSE/News/NewsDetails.aspx?NewsID=406310&src=G>

20 See: <http://www.al-ayyam.ps/znews/site/template/article.aspx?did=105563&Date=2/24/2009>

21 See: <http://www.globalinv.net/contentdisp.asp?pageId=252&dept=1>

22 See: <http://www.p-s-e.com/PSEWEBSITE/english/disclosures.aspx>

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