

PALESTINIAN ECONOMIC BULLETIN

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Main reports

A quarterly business survey on business perceptions has shown that owners/managers are increasingly pessimistic about the future: only 26% expect to see an improvement in their situation in the next quarter.

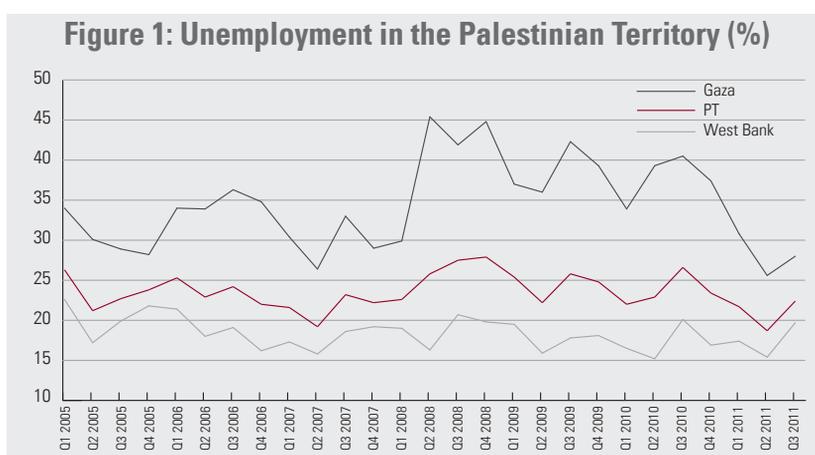
There has been a sharp decline in hotel guest numbers in Q3, which totalled around 106,000: 20% down on the previous quarter and a 23% reduction compared to the same period in 2010.

1,717 building licenses were issued in Q3 2011: 15% fewer than in Q2 but 16% more than in the same quarter last year.

In November National Aluminium & Profile (NAPCO) became the 46th company to be listed on the Palestinian Stock Exchange.

Palestinian Labour Market

The latest labour force survey for Q3 shows rising unemployment against the last quarter and a continuing low participation rate. The unemployment rate continued to be high across the Palestinian Territory at 22.4%. This is up from 18.7% in Q2 2011 but marks a decline from 26.6% compared with the same period last year.¹ Unemployment in Gaza (28.0%) remained significantly higher than in the West Bank (19.7%), although it is much lower compared to Q3 2010 when it was around 40%, as the following graph shows.



Source: PCBS

Palestinian women faced an unemployment rate of 30.5%, an increase of 1.9 percentage points since Q2, while 43.4% of Gazan women seeking a job could not find one. Particularly concerning is the 41.0% unemployment rate among Palestinian women with 13 or more years of schooling. This high number illustrates a structural problem in the Palestinian economy which is failing to provide work for highly educated women.

In the West Bank the governorates of Tulkarm (28.5%) and Qalqilia (26.0%) had the worst unemployment rates; in Gaza, Rafah had the highest (34.1%).

Low labour force participation, at 43.6%, presents another ongoing problem for the labour market and the economy as a whole. Only 39% was recorded in Gaza for Q3. For comparison the rate for both Jordan and Egypt in 2009 was 49%.² Despite various initiatives documented in previous issues of the Bulletin, women continue to suffer from a disproportionately low participation rate of 16.7% compared to 70.0% for men.³ In Gaza, only 13.2% of women were in the labour force. The low female participation shows the inability of the Palestinian economy to fully exploit its available resources.

¹ www.pcbs.gov.ps/Portals/_pcbs/PressRelease/LaborForce_EQ32011.pdf
www.pcbs.gov.ps/Portals/_pcbs/PressRelease/LabourForce_q2e.pdf
www.pcbs.gov.ps/Portals/_pcbs/PressRelease/LF_Q32010_E.pdf

² data.worldbank.org/indicator/SL.TLF.CACT.ZS

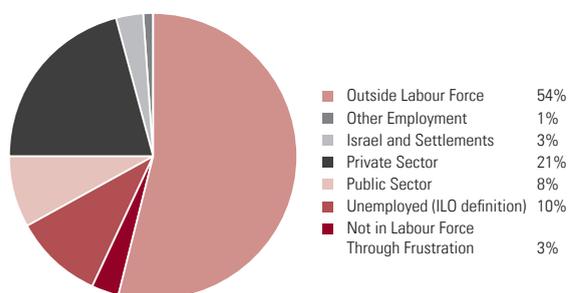
³ Bulletin 62, November 2011

Despite the current low value, labour force participation did increase by 0.9 percentage points since Q2 2011 and by 3.1 percentage points since Q3 2010.

The number of those employed in the local market (persons employed in the West Bank and the Gaza Strip rather than in Israel and settlements or abroad) fell from 767,600 in Q2 to 751,200. The services sector remained the biggest employer: 29.2% in the West Bank and 52.8% in Gaza.

The number of West Bank workers in Israel and settlements increased to 87,000 in Q3, up from 84,000 the previous quarter. About half of those were employed in construction. 23,900 did not have a permit, or were without Israeli or foreign documents.

Figure 2: Occupation of population aged 15 years and over, Q3 2011.



Source: PCBS

The average daily net wage for Palestinians employed in Israel or settlements remained significantly higher (164.5 NIS) than both in the West Bank (84.3 NIS) and Gaza (59.3 NIS).

More than half of Palestinian waged workers are employed without a contract, compared to 27.3% hired by contract. Only a quarter of waged employees contributed to a pension fund and/or had an annual paid vacation. About half of female workers had paid maternity leave. These numbers highlight the need to improve the enforcement of labour legislation. Although the Palestinian Territory has a comprehensive labour law drafted in line with the standards of the Arab Labour Organization and the International Labour Organization (ILO), these figures show that more has to be done to implement it.

Business Perceptions Q3 2011

The results of the latest business perceptions survey show that only 26.8% of owners/managers of industrial enterprises think that the overall performance of their enterprise improved in Q3 2011 compared to Q2.⁴ Only 33.5% of them noticed an improvement in Q2 compared to Q1.⁵ Owners/managers seem to be increasingly pessimistic about prospects: only 26.3% expect improvement in their situation in the next quarter, compared to 37.1% in Q2.

4 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/ownmanInd_q32011e.pdf
5 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/IndusEnteQ2_2011e.pdf

Survey results also showed weak borrowing from banks: 96.4% of those surveyed said that they did not apply for a loan during the period.

The table below shows striking differences between those in the West Bank and Gaza in terms of satisfaction with service provision.

Figure 3: Levels of satisfaction with services provided by the government and private sector.

Type of Service	West Bank	Gaza
Transport and communications	77.9	31.6
Electricity supply	77.0	2.6
Water supply	73.7	39.5
Quality of roads	69.6	19.7
Fairness of police	87.6	44.7
Effectiveness of courts	67.4	39.5
Government facilities to provide permits/licences	64.3	27.6
Labour laws	76.5	32.9
Tax administration	63.8	13.2

Source: PCBS

Tourism

The Palestinian Centre Bureau of Statistics annual tourism survey shows that there were about 4,700 Palestinian tourism enterprises in 2010, a drop of 11% on the previous year.⁶ The vast majority were restaurants (2,869) and souvenir retail (1,325). Tourism provided jobs for about 15,000 people (compared to 15,600 employees in 2009), only 9% of whom were female. The gross value added of tourism activities was \$246.7m, which was an increase of \$70.3m compared to 2009. Restaurants accounted for 45% of this value added. Hotels accounted for 24%, despite numbering only 82 across the Palestinian Territory.

PCBS data for Q3 2011 show a sharp decline in guest numbers, which totalled around 106,000, 20% down on the previous quarter and a 23% reduction compared to the same period in 2010. 30% of the visitors came from the EU, 7% from Asia, and 6% from the US and Canada.⁷

Building Licences Q3 2011

1,717 building licenses were issued in Q3 2011: 15% fewer than in Q2 but 16% more than in the same quarter last year.⁸ Similarly, the number of new dwellings decreased by 19% compared to the last quarter but increased by 20% compared to Q3 2010.

Research & Development 2010

The PCBS has released the main results of its Research and Development (R&D) survey for 2010.⁹ For the first time this covered the entire Palestinian Territory, not just the West Bank. In 2010, there were 2,348 researchers in the

6 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/TourismE2010.pdf
7 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/tourism2009_E.pdf
8 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/HotelActSur_Q32011.pdf
9 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/HotelActiv2011Q2E.pdf
8 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/BldLicQ32011_E.pdf
9 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/research&dev2010E.pdf

Palestinian Territory. Of these 1,763 were male, and 585 female. About two thirds worked in humanities and social sciences and of the rest 14% covered physical sciences, 12% engineering and technology, 6% medical sciences, and 3% agriculture. 54% of the researchers and 10% of the R&D administrators held PhD degrees.

Studies and consultations made up 56% of all R&D activities, followed by basic research (25%), applied research (12%), and experimental research (7%). Palestinian research in 2010 resulted in 559 studies published in journals, 803 studies published in local magazines, and 71 local and international awards.

Total expenditure in the Palestinian Territory on R&D amounted to \$35m in 2010, compared to \$28.8m in 2009 in the West Bank. Expenditure per full-time researcher however, decreased by almost half from \$51,000 in 2009 to \$26,700 in 2010. Most spending came from the governmental sector (42%), followed by higher education (36%) and NGOs (22%).

Foreign Aid

During the negotiations for the 2012 EU Budget, the European Parliament has, at an early stage, secured at least €100m (\$135m) of aid to the Palestinian Territory.¹⁰ The final amount that will be allocated by the EU Budget for 2012 has not yet been agreed. This month the EU has announced a further contribution to the Palestinian Authority's Private Sector Reconstruction in Gaza programme, worth €3.5m (around \$4.7m).¹¹

The Belgian government and the PA have signed a four-year cooperation agreement worth €71.6m (\$96.6m) of support to vital sectors and programmes in vulnerable Palestinian areas.¹² This is an increase of €21.6m (\$29.1m) in Belgian assistance, compared to the previous agreement signed in 2008. €33m (\$44.5m) has been allocated to the educational sector, €20m (\$27.0m) to local authorities, and €14m (\$18.9m) to delegated cooperation projects in Area C, East Jerusalem and the Gaza Strip.

On 28 November, France announced it would contribute a further €10m (\$13m) to the Palestinian budget, bringing its total budget support to €20m (\$28m) in 2011.¹³

Following discussions with the Ministry of Planning, it is expected that the Swedish government will provide about \$104m in humanitarian and developmental support for 2012.¹⁴

ICT Sector

From 27 November to 1 December, the 8th EXPOTECH Technology Week took place simultaneously in the

West Bank and Gaza. EXPOTECH is organised annually by the Palestinian IT Association of Companies (PITA) and the Palestine ICT Incubator (PICTI). Events included a technology conference, entrepreneurship forum, and IT commercial exhibition. This year the focus was on finding ways to promote Palestinian IT services abroad, especially in key neighbouring markets such as Jordan, Egypt, and the Gulf, in addition to engaging the Palestinian diaspora in promoting and supporting the sector's growth and development.

In November PCBS released the preliminary results of the 2011 household ICT survey.¹⁵ Currently just over half of Palestinian households have a computer, and about a third are connected to the Internet. Half of the households without a computer said that cost prevented them from having one, while a quarter said that no-one in the family had the necessary skills to use one. 40% of individuals aged 10 years and over use the Internet: mostly for access to information (86%), fun and entertainment (80%), communication (69%), studying (49%) and work (18%). 94% of households have a satellite dish; 44% have a phone line; and 95% have a mobile phone.

October Indices¹⁶

	Consumer Price Index (CPI)	Producer Price Index (PPI)	Industrial Production Index (IPI)
	2004=100	01/2011=100	01/2011=100
Level	133.74	98.44	108.1
Change from 09/2011	+ 0.19%	+0.13%	+3.8%
Change from 10/2010	+ 1.81%	N/A	N/A

Source: PCBS

The increase in the IPI was driven by an 8.8% rise in manufacturing output compared to the previous month.

Transfer of Taxes

On 30 November, Israel Prime Minister Benjamin Netanyahu approved the release of the outstanding tax clearance revenues for October which had been withheld from the PA, amounting to about \$100m. Clearance revenues are a major source of budgetary revenue for the PA: their share in total revenue rose from about 60% in the mid-1990s to 70% in 2010 (when they were worth approximately \$1.26bn). This means that the PA is highly vulnerable to delays in their transfer, which was illustrated in May this year when the Government of Israel delayed the transfer of approximately \$100m, following the signing of the reconciliation agreement between Fatah and Hamas. That suspension worsened the liquidity shortage faced by the PA and delayed the payment of salaries to public sector employees (numbering around 150,000). On this occasion government salaries have been paid on time.

10 www.reuters.com/article/2011/11/19/us-eu-budget-idUSTRE7A101820111119

11 eeas.europa.eu/delegations/westbank/documents/news/20111208_psrq_seventh_batch_payment_en.pdf

12 diplomatie.belgium.be/en/newsroom/news/press_releases/cooperation/2011/12/ni_011211_cooperation_programme_palestinian_territories.jsp?referer=tcm:312-154901-64

13 www.consulfrance-jerusalem.org/spip.php?article3029

14 http://mop-gov.ps/new/news_details.php?pid=422

15 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/HouseholdICT2011_E.pdf

16 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/CPI102011_E.pdf
www.pcbs.gov.ps/Portals/_pcbs/PressRelease/ppi_102011E.pdf
www.pcbs.gov.ps/Portals/_pcbs/PressRelease/ppi_102011_E.pdf

Ministry of National Economy Decentralisation

The Ministry of National Economy has announced a plan to extend the services it provides out to its governorate branches.¹⁷ This decentralisation plan will allow citizens and businesses to access services locally, such as applying for import or export certificates. This will lower costs for businesses as they will no longer need to travel to the ministry's headquarters in Ramallah. The development and implementation of the plan is being funded by the German and Canadian governments.

Foreign Investment Survey of Palestinian Enterprises 2010

The preliminary results of the Foreign Investment Survey of Palestinian enterprises for 2010 show that total external assets of Palestinian enterprises equalled \$5.3bn.¹⁸ Palestinian enterprises' total foreign liabilities amounted to \$2.3bn.

Nearly half of Foreign Direct Investment (FDI) in Palestinian enterprises was concentrated in financial services and investment from Jordan contributed 76% of total FDI in Palestinian enterprises.

September Foreign Trade¹⁹

	Exports	Imports
Level	\$57.8m	\$350.7m
Change from 08/2011	-8.8%	+1.9%
To/from Israel (% of total)	90.6%	71.8%
Trade deficit		\$292.9m
Change from 08/2011		+4.3%

Source: PCBS

November Trading

In November the AI-Quds Index dropped by 0.62% over the month to close at 471.8 points on the last day of trading. The index reached its highest (472.9) and lowest levels (464.5) on 10 and 27 November respectively. 464.5 points is the lowest value the index has reached since

17 www.met.gov.ps/DesktopDefault.aspx?lng=2

www.maannews.net/arb/ViewDetails.aspx?ID=437327

18 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/FIS2010Eng01Nov.pdf

19 www.pcbs.gov.ps/Portals/_pcbs/PressRelease/regExt_E092011.pdf

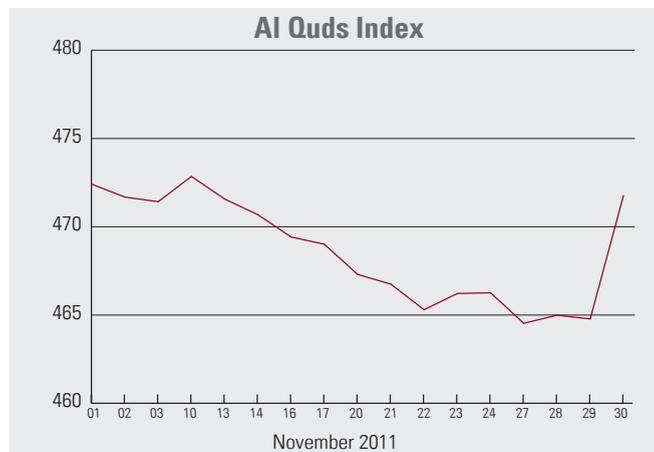
11 January 2009. Among the Arab markets, only Bahrain (+1.35%), Tunisia (+0.37%), and Qatar (-0.03%) performed better than the AI-Quds index.

A total of 5.6m shares worth \$12.7m were traded in 17 sessions last month. Market capitalisation was \$2.7bn. At the end of November, National Aluminium & Profile (NAPCO) listed on the Palestine Exchange (PEX), bringing the total number of listed companies to 46.

In November, Auerbach Grayson and Company, LLC, became the first brokerage to offer US institutional investors access to the Palestine Exchange through partnership with Sahem Trading & Investments Company. This cooperation is expected to further foreign investment in the Palestinian Territory.²⁰

PEX held the 5th Annual Palestinian Capital Market Forum in November on 'Family Businesses: Strategies for the Future'. The forum was sponsored by PADICO Holding, PIF, Ernst and Young, Ellam Tam and PR Newswire. It focused on ways to graduate family businesses into publicly held entities listed on PEX.

PEX has also issued the first Investor Relations (IR) Guide in the Palestinian Territory. The Guide includes information on the concept of IR and its core functions, its economic value to public shareholding companies, how to build an effective IR strategy, and how to measure IR performance. Producing this guide was one of the recommendations coming out of the 4th Annual Palestinian Capital Market Forum of 2010.



Source: PEX

20 www.ameinfo.com/281438.html

The Portland Trust



The Palestinian Economic Bulletin is prepared by the Palestine Economic Policy Research Institute (MAS) and edited by The Portland Trust. Please send any comments, suggestions, or complaints to feedback@portlandtrust.org

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