

## PALESTINIAN ECONOMIC BULLETIN

Issue 66

March 2012

### Main reports

34 listed companies out of 45 achieved profits during 2011. Total profits before tax exceeded \$240m.

The Netherlands will donate a new cargo scanner for the Allenby Bridge crossing which is expected to increase trade volumes by 30%.

Abraaj Capital's \$50m Palestinian Growth Capital Fund achieves first close, making a first investment in the Thimar Agricultural Investment Company.

In Q4 2011 the total number of guests in Palestinian hotels was 137,426, up by 29.5% from Q3 2011.

The Bulletin interviews Ammar Aker, CEO of PalTel.

### Labour Market Q4 2011

There was a slight improvement in some labour market data in Q4 2011 compared to the previous quarter, with the unemployment rate decreasing to 21.0% from 22.4% in Q3 2011 and 23.4% in Q4 2010.<sup>1</sup> It remained much higher in Gaza (30.3%) than in the West Bank (16.6%), and among women (27.2%) than men (19.3%). The unemployment rate in Gaza increased from 28% in the previous quarter but decreased compared with the same quarter in 2010 (37.4%). The female unemployment rate in Gaza (46.4%) is over double that in the West Bank (20.3%).

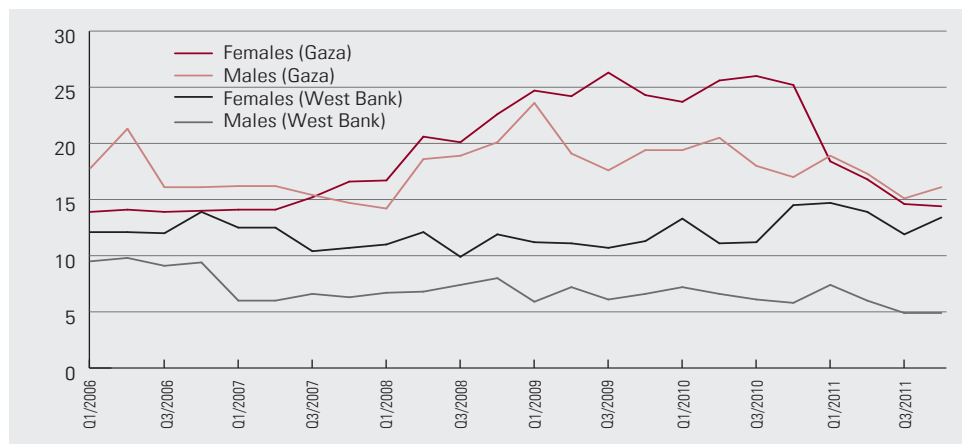
Employment increased by 22,700 jobs from Q3 2011 and by 95,200 compared with Q4 2010.<sup>2</sup>

The labour force participation rate grew slightly to 44.4%, meaning 30,000 more people in the labour force compared with Q3 2011. The rate for women remained low at 18.7%, with most (66.2%) stating 'housekeeping' as the reason for staying out of the labour force. 58.8% of men outside the labour force said it was because they were 'studying or training'.

Individuals who hold an associate diploma certificate and above have an unemployment rate of 25.6%. 79.7% of individuals with those qualifications were in the labour force, compared with an overall rate of 44.4%. The highest unemployment rates were among those who studied education science and teacher rehabilitation (35.5%), business and administration (28.7%) and social and behavioural science (28.5%). Average daily wages both in the West Bank and Gaza increased to NIS 85.7 (from NIS 84.3 in Q3 2011) and NIS 60.6 (from NIS 59.3) respectively, but these numbers remained far below wages for Palestinians working in Israel and Israeli settlements (NIS 159.6).

Figure 1 shows the average duration of unemployment for men and women in the West Bank and Gaza from 2006 onwards. The average duration of female and male unemployment in OECD countries in 2010 was 9.6 and 9.5 months respectively.<sup>3</sup>

Figure 1: Average duration of unemployment (months)



Source: PCBS

1 [www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/LabForQ42011E.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/LabForQ42011E.pdf)

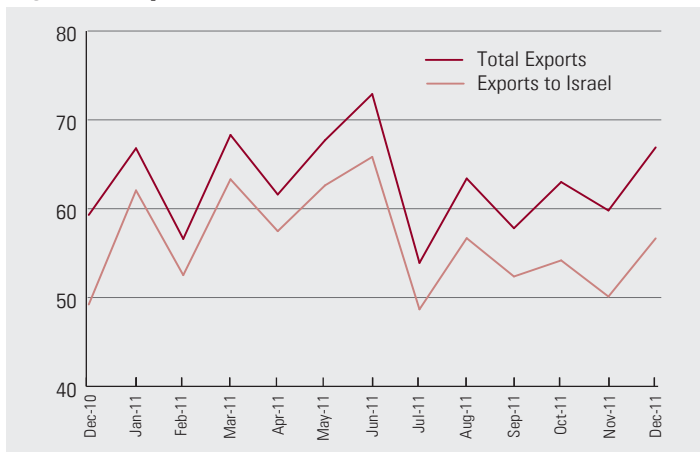
2 [www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/LaborForce\\_EQ32011.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/LaborForce_EQ32011.pdf), [www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/LF\\_Q042010\\_E.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/LF_Q042010_E.pdf)

3 [stats.oecd.org/Index.aspx?DataSetCode=AVD\\_DUR](http://stats.oecd.org/Index.aspx?DataSetCode=AVD_DUR)

## Foreign Trade

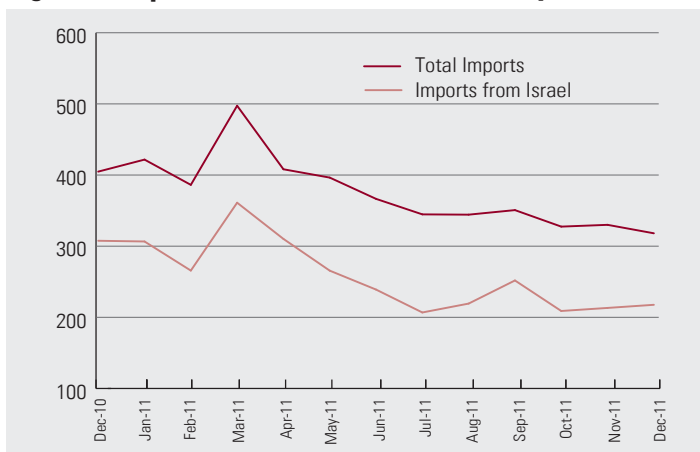
Figures 2 and 3 show the value of exports and imports for the Palestinian Territory for 2011.

**Figure 2: Exports from the Palestinian Territory (\$m)**



Source: PCBS

**Figure 3: Imports to the Palestinian Territory (\$m)**



Source: PCBS

On 27 February the Ministry of National Economy, PalTrade and the Palestinian Shippers' Council launched the Trade Diversification and Competitiveness Enhancement Programme.<sup>4</sup> The new programme, worth €3m, is funded by the EU and aims to strengthen the competitiveness of Palestinian products and increase the volume of exports in both goods and services.

Separately the Government of the Netherlands has announced that it will donate a cargo scanner to the Palestinian Authority (PA) to be installed for operation at the Allenby crossing with Jordan, with the possibility of donating a second scanner at a different location. Companies that use Allenby crossing have estimated that this could increase trade volumes by 30%.<sup>5</sup> The decision came as the result of extensive discussions between the Office of the Quartet Representative (OQR) and officials from the PA, Israel, Jordan and the Netherlands. The OQR expects the first scanner to be operational within 6-9 months.

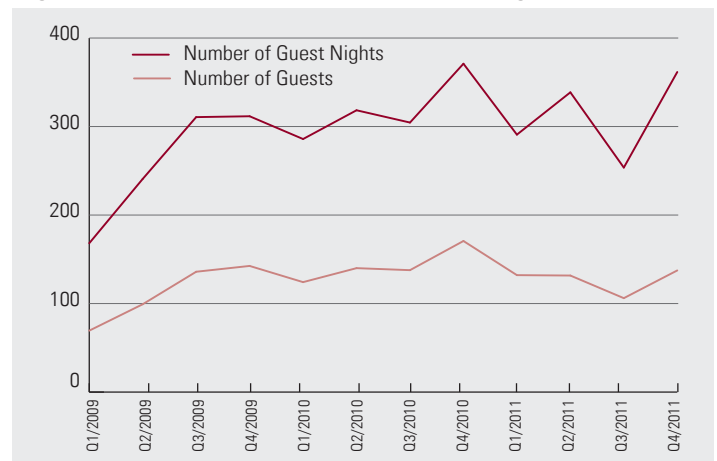
On 5 March two trucks of locally produced date bars left Gaza for the West Bank as part of a World Food

Programme (WFP) project.<sup>6</sup> It is the first time since 2007 that a transfer has taken place from Gaza to the West Bank, and follows more than six months of negotiations between WFP and the Israeli authorities. The truckloads were the first in a batch of 19 that will be used in WFP's school feeding programme in the West Bank. The WFP had previously sourced date bars for this programme from Egypt and Turkey until it identified a suitable factory in the Gaza Strip. The project has created 60 jobs at the biscuit factory and is expected to inject more than \$2m into the Gazan economy.

## Hotel Activities Q4 2011

In Q4 2011 the total number of guests in Palestinian hotels was 137,426, up by 29.5% from Q3 2011.<sup>7</sup> This is the first increase in guest numbers since Q4 2010. Most guests were from Europe (52%), followed by Palestinians (11%), Asians (10%) and Americans and Canadians (6%).

**Figure 4: Number of Guests and Guest Nights 2009-2011**



Source: PCBS

Figure 4 illustrates the strong increase in the number of guest nights in Q4 to 361,612, coinciding with Christmas visitors to Bethlehem. The room occupancy rate was 27.0% compared with 22.4% in Q3 2011.

## Palestine Growth Capital Fund

Abraaj Capital, the Palestine Investment Fund, Bank of Palestine, Cisco and the European Investment Bank jointly announced the first close of the Palestine Growth Capital Fund on 12 March.<sup>8</sup> The \$50m fund will provide growth capital investment and institutional support to around 13 to 15 small and mid-cap companies in the Palestinian Territory which have the potential to expand into regional and international markets. The first investment is in the Thimar Agricultural Investment Company, a fresh herb and produce exporter based in the Jordan Valley which already exports to the US and Europe. Imad Nusseibeh, the CEO of Thimar, told the Bulletin that "with the help of Abraaj, we started to open new markets in the Gulf. The first shipment of herbs will be in Dubai before the end of March 2012." He also said that it has enabled Thimar

4 [eeas.europa.eu/delegations/westbank/documents/news/20120227\\_pr\\_paltrade\\_en.pdf](http://eeas.europa.eu/delegations/westbank/documents/news/20120227_pr_paltrade_en.pdf)

5 [www.quartetrep.org/quartet/news-entry/oqr-facilitates-agreements-to-boost-palestinian-trade](http://www.quartetrep.org/quartet/news-entry/oqr-facilitates-agreements-to-boost-palestinian-trade)

6 [www.wfp.org/news/news-release/gaza-biscuits-feed-west-bank-school-children](http://www.wfp.org/news/news-release/gaza-biscuits-feed-west-bank-school-children)

7 [www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/HotelActvQ42011E.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/HotelActvQ42011E.pdf)

8 [www.abraaj.com/content/press-release-abraaj-capital-and-palestine-investment-fund-announce-first-closure-us-50-million](http://www.abraaj.com/content/press-release-abraaj-capital-and-palestine-investment-fund-announce-first-closure-us-50-million)

to increase capacity from 110 dunums to 220 dunums of herbs and more than 500 dunums of vegetables, and that in the near future, “we will build a packing house for herbs and vegetables which will increase the number of daily workers to 200 with 25 full-time staff.”

Fayez Husseini, the fund manager, told the Bulletin, “We are excited to have funded the first deal. We expect to announce a second deal in the education sector in the next few weeks, and hope to close more and more deals in the course of 2012.”

## National Health Accounts 2009-2010

In February the PCBS published the primary results of the National Health Accounts for 2009 and 2010. Total expenditure on health in the Palestinian Territory increased from \$959m in 2009 to \$1,074.4m in 2010, while total health expenditure per capita grew from \$259 in 2009 to \$282 in 2010.<sup>9</sup> The proportion of total health expenditure to GDP declined from 15.0% in 2009 to 13.7% in 2010. Health expenditure as a percentage of GDP was 7.5% in Israel and 9.3% in Jordan in 2009.<sup>10</sup>

## Gaza Fuel Crisis

On 5 March Gaza’s energy authority reached an agreement with Egypt to import fuel via the Rafah crossing to ease the growing fuel crisis.<sup>11</sup> Gaza will initially receive car diesel until the terminal is prepared to transfer industrial diesel. Despite the agreement, Gaza’s only power station had to shut down on 10 March, the third closure in the past month, due to lack of fuel supplies.<sup>12</sup> The crisis is threatening the continuation of operations in dozens of factories throughout Gaza. Hospitals, clinics, water treatment plants, schools and other critical service providers have all been severely affected. Recently, around 100 textile production houses have been closed, laying off 1,000 workers.<sup>13</sup>

## Building Licenses Q4 2011

1,884 building licenses were issued in Q4 2011, an increase of 9.7% from the previous quarter and of 21.2% from Q4 2010.<sup>14</sup> A total of 3,666 dwellings were licensed: 3,142 new and 524 existing ones. The number of new dwellings grew by 30.8% compared with Q3 2011 and by 42.2% compared with Q4 2010.

## Interview with CEO of PalTel

*The Bulletin plans to carry out an occasional series of interviews with CEOs of PEX listed companies. The first of these is with Ammar Aker, who became CEO of PalTel in February 2010, having been CEO of its mobile arm, Jawwal, since 2005.*

PalTel Group’s core business is the provision of fixed line, mobile and internet services across the Palestinian

Territory, but it also owns a call centre called ‘Reach’. As of January 2012, it had 2.4 million mobile customers, 385,000 fixed line customers and 152,000 ADSL subscribers. In 2011 its total assets were worth US\$811m and its net operating income was US\$128m, an increase of 5% compared with the year before.

### What are the prospects for PalTel over the next 12 months?

“There’s good potential for growth in the mobile and data market. We hope to increase our data subscribers by 40%, aiming to hit 200,000 by year end. Mobile penetration is only 60% in Gaza, which leaves plenty of room for growth there too. At the moment consumers are spending money, and the technology is helping that. Everyone wants a smartphone! Mobile internet is a major challenge, because so far Israel has not approved the use of 3G spectrum for us. That’s a huge and politically-driven problem for us.”

### Where have you been directing your capital expenditure?

“Mostly upgrades for the fixed and mobile network. Good connectivity is extremely important for Palestine, so we’ve been investing heavily in the fibre optic network.”

### Will you be recruiting more staff this year?

“We’re the largest employer after the government here, with over 3,000 staff, and our research suggests that we have generated more than 35,000 jobs indirectly through our suppliers and so on. However since we’re not expecting growth to be as strong as it has been, we’re not taking on new staff for now. However, that is a concern for us: job creation by the private sector is crucial for the Palestinian economy. We’ve recently launched “Go Professional”, a training programme for recent graduates where we take them on for 18 months on full pay to give them real world employment experience. We are hoping to bring 100 graduates through this year and expand it if it proves a success.”

### What prospects are there for the IT sector as a whole?

“I think that Palestine has a real chance of being an IT hub for the Western world. The skill levels are very high. So high that on several occasions we’ve bought software from the US, UK or India, only for a young teenage programmer in Gaza or Nablus to have found a bug in it! We established ‘Reach’ because of the potential for outsourcing here. Many young Palestinians speak accentless English and we also have people with Spanish language skills, so we’ve started a prototype project in Bethlehem to see whether we can get this type of call centre to work with South American companies.”

### So where are the challenges?

“A major issue is that foreign companies look upon Palestine as a risky place – we have a hard time convincing them that their service won’t be interrupted. Yes, we’ve had several years of stability in the West Bank, but people tend to look at the West Bank and Gaza together. We’ve also been hit because of the regional uncertainty. One of our major international shareholders has pulled out some of its investment because they felt over-exposed to the Middle East as a whole.”

9 [www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/NHA09-10E.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/NHA09-10E.pdf)

10 Source: The World Health Organization (WHO)

11 [www.maannnews.net/eng/ViewDetails.aspx?ID=465540](http://www.maannnews.net/eng/ViewDetails.aspx?ID=465540)

12 [www.maannnews.net/eng/ViewDetails.aspx?ID=466847](http://www.maannnews.net/eng/ViewDetails.aspx?ID=466847)

13 [www.maannnews.net/eng/ViewDetails.aspx?ID=466976](http://www.maannnews.net/eng/ViewDetails.aspx?ID=466976)

14 [www.pcbs.gov.ps/Portals/\\_pcbs/PressRelease/bldlicQ42011E.pdf](http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/bldlicQ42011E.pdf)

## What should the government be doing?

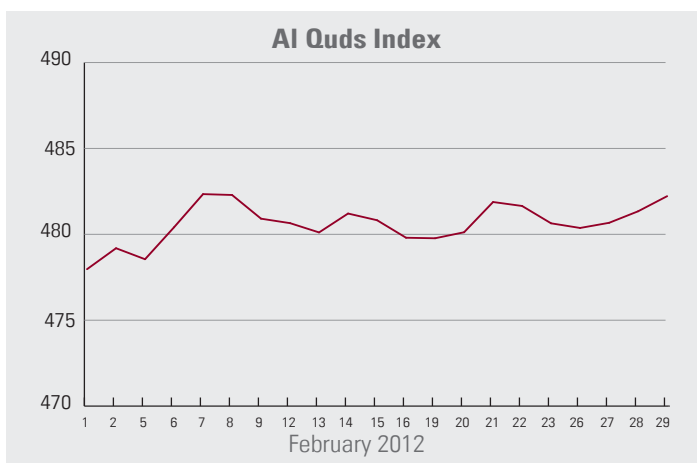
"It needs to provide better support for investment promotion events, especially because investors look very carefully at the institutional side of things. There is also a backlog of laws that have not been pushed through because of the political split between Gaza and the West Bank. Our responsibility as Palestinian people is to help repair this split between the West Bank and Gaza."

## Where is the Palestinian economy going this year?

"Our economy has proved itself to be strong, resilient and dynamic. The political situation and the income tax law will have a downward effect this year, but we'll still see good growth. Our real strength is the younger generation, who are motivated and entrepreneurial and will make great leaders for Palestine one day."

## February Trading

In February the AI-Quds Index increased by 1.27% to close at 482.2 points on the last day of trading. The index reached its lowest (478.0) and highest (482.3) levels on 1 and 7 February, respectively.



Source: PEX

45 of the 46 companies listed on PEX have now disclosed preliminary financial results for 2011, excluding Grant Park Hotel & Resorts, which has been suspended. 34 of the companies achieved profits, and total profits before tax exceeded \$240m.

## 2011 Preliminary Financial Results for Palestinian Companies listed on the Palestinian Stock Exchange

Listed Company	Reuters RIC	Pre tax Profit 2011	Pre tax Profit 2010 (Audited )	Change	2011 Market Capitalization (million)	% of PSE
<b>Banking</b>						
Bank of Palestine	BOP	\$41,868,275	\$37,732,105	11%	\$348.00	12.51%
AI Quds Bank	QUDS	\$6,531,794	\$6,354,155	3%	\$51.00	1.83%
Palestine Investment Bank	PIBC	\$3,009,007	\$2,059,565	46%	\$51.41	1.85%
Palestine Islamic Bank	ISBK	\$5,376,109	\$2,491,526	116%	\$38.66	1.39%
Arab Islamic Bank	AIB	\$1,377,675	-\$1,703,313 (loss)	181%	\$39.09	1.40%
Alrafah Microfinance Bank	AMB	\$778,262	\$211,087	269%	\$23.10	0.83%
Palestine Commercial Bank	PCB	\$832,514	\$2,156,322	-61%	\$21.92	0.79%
Palestine Mortgage & Housing Corporation	PMHC	\$450,733	\$342,440	32%	\$18.00	0.65%
<b>Industry</b>						
Birzeit Pharmaceuticals	BPC	JD 3,473,510	JD 4,633,737	-25%	\$58.79	2.11%
Palestine Poultry Company	AZIZA	-JD 182,954 (loss)	JD 4,802,099	-104%	\$46.44	1.67%
Jerusalem Pharmaceutical	JPH	JD 2,779,087	JD 2,627,575	6%	\$34.49	1.24%
Jerusalem Cigarette	JCC	JD 618,446	JD 1,304,070	-53%	\$18.05	0.65%
The Vegetable Oil Industries	VOIC	JD 1,910,466	JD 2,002,050	-5%	\$23.41	0.84%
Golden Wheat Mills	GMC	JD 1,219,679	JD 1,272,557	-4%	\$21.37	0.77%
Palestine Plastic Industrial	LADAEN	-JD 255,672 (loss)	-JD 362,721 (loss)	30%	\$3.65	0.13%
Arab Company for Paints Products	APC	JD 431,570	JD 698,622	-38%	\$5.18	0.19%
The National Carton Industry	NCI	\$23,242	\$155,059	-85%	\$3.45	0.12%
AI Shark Electrode	ELECTRODE	JD 126,441	JD 123,050	3%	\$2.12	0.08%
National Aluminum and Profile	NAPCO	JD 102,730	JD 52,673	95%	\$9.25	0.33%
<b>Services</b>						
Palestine Telecommunications	PALTEL	JD 101,010,000	JD 90,491,000	12%	\$982.08	35.30%
Palestine Electric	PEC	\$8,374,034	\$6,782,383	23%	\$71.40	2.57%
Arab Hotels	AHC	-JD 1,904,564 (loss)	-JD 112,331 (loss)	-1595%	\$25.74	0.93%
Al-Wataniah Towers	ABRAJ	\$578,392	\$230,755	151%	\$11.70	0.42%
The Ramallah Summer Resorts	RSR	-JD 12,549 (loss)	-JD 13,742 (loss)	9%	\$11.85	0.43%
Arab Palestinian Shopping Centers	PLAZA	-JD 1,064,149 (loss)	-JD 299,208 (loss)	-256%	\$5.92	0.21%
Nablus Surgical Center	NSC	JD 225,862	JD 425,598	-47%	\$4.93	0.18%
Globalcom Telecommunications	GCOM	-\$1,284,551 (loss)	-\$1,340,353 (loss)	4%	\$5.56	0.20%
Palestinian Distribution & Logistics Services	WASSEL	-JD 1,303,418 (loss)	JD 178,254	-831%	\$7.79	0.28%
Grand Park Hotel and Resorts*	HOTEL	N/A	-JD 11,194	N/A	\$4.80	0.17%
Arab Real Estate Establishment	ARE	JD 31,459	-JD 269,582 (loss)	112%	\$0.63	0.02%
Wataniah Palestine Mobile Telecommunications	WATANIYA	-\$26,179,253 (loss)	-\$56,249,535 (loss)	53%	\$332.82	11.96%
<b>Insurance</b>						
Al Mashriq Insurance*	MIC	-\$937,510 (loss)	-\$1,673,157 (loss)	44%	\$2.50	0.09%
National Insurance	NIC	\$5,206,640	\$7,200,004	-28%	\$38.40	1.38%
Trust International Insurance	TRUST	\$2,522,411	\$2,132,015	18%	\$29.40	1.06%
Ahliea Insurance Group	AIG	\$1,860,805	\$36,651	4977%	\$9.38	0.34%
Palestine Insurance	PICO	\$536,140	-\$1,647,785 (loss)	133%	\$7.50	0.27%
Global United Insurance	GUI	\$931,279	\$90,315	931%	\$5.75	0.21%
Al-Takafal Palestinian Insurance	TIC	\$335,127	\$1,076,280	-69%	\$8.25	0.30%
<b>Investment</b>						
Palestine Development & Investment	PADICO	\$26,933,000	\$40,096,000	-33%	\$250.00	8.98%
Palestine Real Estate Investment	PRICO	JD 4,582,238	JD 3,503,940	31%	\$47.96	1.72%
Palestine Industrial Investment	PIIC	JD 654,541	JD 4,415,544	-81%	\$40.99	1.47%
Union Construction and Investment	UCI	\$2,066,010	\$1,942,774	6%	\$28.00	1.01%
Arab Investors	ARAB	-JD 85,134	JD 118,587	-172%	\$9.20	0.33%
Jerusalem Real Estate Investment	JREI	\$370,668	\$679,280	-45%	\$9.50	0.34%
Palestine Investment & Development	PID	-JD 87,476	-JD 88,313	0.95%	\$6.83	0.25%
Al-Aqariya Trading Investment	AQARIYA	JD 71,556	JD 292,735	-76%	\$6.22	0.22%

\* Stock is suspended

## 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](mailto:feedback@portlandtrust.org)

© 2012 The Portland Trust

Printed for The Portland Trust in Ramallah by AI Nasher Advertising and PR