

PALESTINIAN ECONOMIC BULLETIN

Issue 74

November 2012

Main reports

The World Bank's annual 'Doing Business' report uses a series of indicators to quantify the ease and difficulty for a local entrepreneur to open and run a small to medium-sized business. This year the West Bank and Gaza was ranked in 135th position out of 185 economies.

The Bank of Palestine recently signed an agreement with the Jordan Investment and Finance Bank (InvestBank) to enhance and facilitate cooperation between the two.

East Jerusalem hospitals are facing a financial crisis due to accumulating unpaid PA medical bills, totalling around \$18m.

Recent contributions to the Palestinian Authority include donations by the UAE, EU and Kuwait.

Economic growth, employment and wages in the Palestinian Territory

A new study by the Palestine Economic Policy Research Institute (MAS) examines how economic growth in the Palestinian Territory between 2006 and 2010 affected employment and wages.¹ The study notes that real GDP increased by 33% over that period but comments that 'many Palestinians are inclined to believe that this boom is an illusion.'

In fact the report finds that 108,000 new jobs were created, raising total employment in the Palestinian Territory by 17%. 13.3 percentage points were due to growth in the Palestinian Territory, and 3.7 percentage points were accounted for by new jobs in Israel and the settlements which totalled 23,600.

However with one of the highest rates of labour force growth in the world (on average 3.7% a year in the West Bank and 4.7% in Gaza), these jobs were barely sufficient to employ new entrants into the labour force and insufficient to reduce the economy-wide unemployment rate of 24% at the time.

A positive aspect of the employment growth is that 99,000 of the new jobs were wage jobs. Private sector wage employment (excluding employment in Israel and the settlements) grew by 39% over the period. The report explains that the growth in wage employment was due to a strong shift among those who were already employed from unpaid work in family business to wage employment.

Set against that however, the average real daily wage fell by 3% in the West Bank and by 31% in the Gaza Strip during the 2006-2010 period. The real wage bill in the whole Palestinian economy – wage payments to all employees, public and private, excluding workers in Israel and the settlements – rose by just 11.6% over the period. The report notes that this means that labour's gain from the increase in real GDP was not even proportionate to its 2006 share of value added. The study concludes that while the economic growth had some employment benefits this was not matched by gains in wages, and therefore the disproportionate beneficiaries of growth during the period were the recipients of non-labour incomes such as profit, interest and rent.

The report recommends reviewing policies which tend to create greater inequality in income distribution, such as tax breaks for firms that are already highly profitable. It further recommends considering the establishment of a minimum wage. The report concludes that a 'central goal... should be to ensure that labour gains a fair share of increases in GDP.'

¹ This study has not yet been published. To receive a copy of the executive summary, please email info@mas.ps.

Doing Business Rankings 2013

The World Bank's annual 'Doing Business' report uses a series of indicators to quantify the ease and difficulty for a local entrepreneur to open and run a small to medium-sized business. This year the West Bank and Gaza was ranked in 135th position out of 185 economies. That is the same as last year and ranks behind Lebanon at 115th, Egypt at 109th and Jordan at 106th.²

In terms of starting a business, the West Bank and Gaza ranks 179, due in part to the fact that there are 11 procedures to go through which can take 48 days (although that has reduced from 106 days in 2005). In Jordan, which ranks 103 on this measure, it takes 7 procedures and 12 days. The amount of paid-in minimum capital required (as a % of income per capita) is 207% in the West Bank and Gaza, compared to 0% in both Egypt and Jordan and 35% in Lebanon.³

The cost of starting a business, which means official fees such as registering with a chamber of commerce, remains high at 91% of income per capita. This compares to 13.8% in Jordan, 10.2% in Egypt and 4.1% in Tunisia.

Globally, the West Bank and Gaza stands at 159 in the ranking of 185 economies on the ease of getting credit indicator, which looks at how well the credit information system and collateral and bankruptcy laws facilitate access to credit. The West Bank and Gaza scores a low 4 out of 10 on the depth of credit information index and a score of only 1 out of 10 on the strength of legal rights index. Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

In terms of protecting investors, the West Bank and Gaza has a high global rank of 49, compared to Egypt at 82, Jordan at 128 and Turkey at 70. The indicator is based on an index which measures the strength of large private companies' minority shareholder protection against directors' use of corporate assets for personal gain. The West Bank and Gaza had a relatively high score of 6 out of 10 for this index. A higher score indicates that an economy's regulations offer stronger investor protections in terms of transparency of related-party transactions, liability for self-dealing and shareholders' ability to sue officers and directors for misconduct.

Bank of Palestine

The Bank of Palestine recently signed an agreement with the Jordan Investment and Finance Bank (InvestBank) to

enhance and facilitate cooperation between the two. As a result a number of financial and banking services will now be offered through InvestBank to Palestinian customers in Jordan and to Jordanian customers in the Palestinian Territory through the Bank of Palestine. This will include facilities to process remittances, letters of credit and bank guarantees. These services should encourage financial transfers at both the household and corporate level between the two economies, ease trade operations and provide a boost to investment. The agreement between the two banks will also facilitate technical cooperation and employee training. Bank of Palestine holds around a 9% stake in InvestBank.⁴

Financial Crisis in East Jerusalem Hospitals

East Jerusalem hospitals are facing a financial crisis due to accumulating unpaid Palestinian Authority (PA) medical bills, totalling around \$18m as of July 2012. There are six hospitals in this situation, which serve as the main centres for specialised care within the Palestinian health system.

In 2011 over 22,000 West Bank and Gaza patients were referred by the Palestinian Ministry of Health to East Jerusalem, representing over half of the caseload of East Jerusalem hospitals. One hospital, the Augusta Victoria, has reported that 84% of its income comes from the PA and that it is owed \$11m.⁵ It now owes \$5m to private suppliers and says that it will shortly be unable to pay salaries.

Contributions to the PA

The United Arab Emirates has made a donation of \$42m directly to the PA, following a similar size contribution that it made in April 2012.⁶

On 12 November, the European Union made a contribution of approximately €19m to the payment of the October salaries and pensions of PA employees. €13.8m came from the European Commission, about €4m from Sweden and €1.2m from the Netherlands.⁷

The World Bank announced on 14 November that Kuwait had made a contribution of \$50m to the ongoing Palestinian Reform and Development Programme Trust Fund. This transfer will support the urgent budgetary needs that the

² <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf>

³ This is the total amount that must be deposited in a bank or with a notary before registration (or within 3 months). In the West Bank and Gaza the amount is JD2,500.

⁴ www.alquds.com/news/article/view/id/388699

⁵ www.haaretz.com/news/middle-east/east-jerusalem-hospitals-face-financial-crisis-in-wake-of-palestinian-un-bid.premium-1.475673 and www.ldf.ps/documentsShow.aspx?ATT_ID=6305

⁶ www.palestinecabinet.gov.ps/site/461/default.aspx?tabID=461&ItemID=124020&mid=3173 and www.pmo.ps/news/plugins/spaw/uploads/files/accounts/2012/11/table7_eng.pdf

⁷ http://eeas.europa.eu/delegations/westbank/index_en.htm

PA is facing, providing funding for education, health care and for the economic reforms currently underway.⁸

Gaza

As the Bulletin went to press, the Israeli military operation 'Pillar of Defence' was ongoing in Gaza.

Kerem Shalom crossing was closed to the passage of goods, having only been open for one day on 18 November when 80 truckloads carrying medical supplies, basic food and agricultural products entered Gaza. This is less than half of the daily average of 200-300 truckloads that entered Gaza since the start of 2012. The tunnels were reported to be mostly closed.⁹ There has been reported damage to electricity infrastructure including lines and transformers, and confirmed damage to one water storage facility.

UNRWA reported that prices of food in stores remained unchanged although fear of shortages persists.¹⁰ The agency has asked its donors for \$12.7m in further resources to address the unfolding situation, including assistance for food (\$6m), cash (\$2m) and fuel (\$1.5m).

Finance and Insurance Survey

Recently released statistics show that 48 enterprises operate in the finance sector in the Palestinian Territory with 6,946 employees: 4,957 male and 1,989 female. The gross value added of the sector as a whole was \$341.2 million in 2011, increasing by 11% from 2010. Net taxes on production were \$42.7 million. Total value of output was \$433.2 million, a 7.3% increase from 2010.¹¹ In 2011 financial and insurance activities contributed 4.7% to GDP in the Palestinian Territory.¹²

International Day of Rural Women

Observing the International Day of Rural Women, Al Bireh municipality held a shopping festival in October to help market products by women's cooperatives. Products included olive oil, olive oil soap, hand crafted embroideries, handmade jewellery and household utensils, as well as various homemade foods. Prime Minister Dr Salam Fayyad visited along with the Minister of Labour, Dr Ahmad Majdalani, showing support.¹³ Al Bireh Municipality told the Bulletin that, with 1,500 visitors in the first few hours after the opening ceremony, sales were indeed boosted for these cooperatives. The Municipality said that it aimed to support local small enterprises as they shape a sizable portion of Palestinian enterprises.

8 www.worldbank.org/en/news/2012/11/14/kuwait-supports-palestinian-reforms-fifty-million-dollar-grant

9 www.gisha.org/item.asp?lang_id=en&p_id=1738 (accessed November 19th, 6pm GMT)

10 <http://unrwa.org/etemplate.php?id=1512>

11 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_Fin&InsSur2011E.pdf

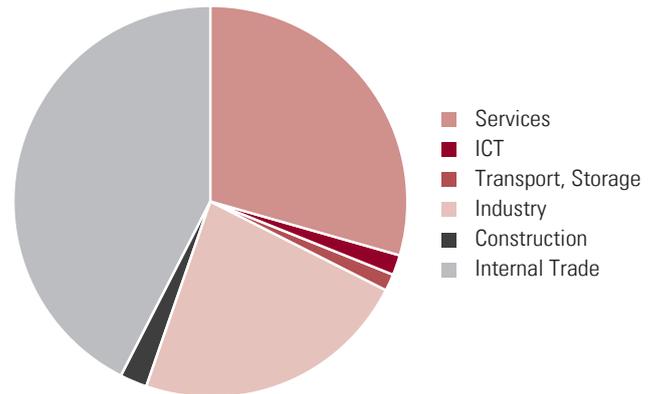
12 www.pcbs.gov.ps/Portals/_Rainbow/Documents/Percent2011.htm

13 www.alquds.com/news/article/view/id/392883

Economic Survey

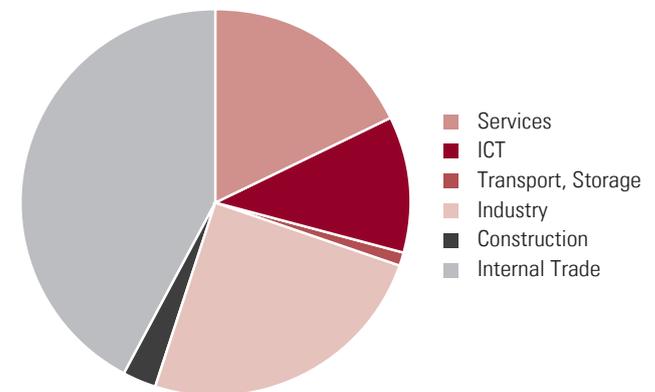
The preliminary results of the Economic Surveys Series have been released by the Palestinian Central Bureau of Statistics (PCBS), showing that in 2011 there were 116,939 non-agricultural enterprises operating in the Palestinian Territory, employing 314,926 workers.¹⁴ Waged employees made up 77.7% of employees, up from 55.1% in 2010. Output value increased by 7.6% and value added increased by 6.8% compared with 2010.

Figure 1: Percentage Distribution of Employed Persons in Operational Enterprises in the Palestinian Territory, 2011



Source: PCBS

Figure 2: Percentage Distribution of Value Added from Operational Enterprises in the Palestinian Territory, 2011



Source: PCBS

Taybeh Beer and Oktoberfest

The 8th Annual Taybeh Oktoberfest, promoted and supported by the Taybeh Beer Factory was held on 6 and 7 October.¹⁵ This cultural festival attracts locals as well as international tourists. The organisers of the festival told the Bulletin that there were around 20,000 visitors over the two days.

14 www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1922.pdf

15 www.taybehmunicipality.org/#

August Trade

Figure 3: August Trade¹⁶

	Exports	Imports
Level	\$57.3m	\$357.2m
Change from 07/2012	-6.9%	-2.8%
Change from 08/2011	-9.5%	3.7%
To/from Israel (% of total)	89.6%	64.1%
Trade deficit		\$299.8m
Change from 07/2012		-2.0%

Source: PCBS

Cost of Living

Figure 4: CPI in October 2012¹⁷

	West Bank	Gaza
Change from 9/2012	-0.8%	-0.9%
Change from 10/2011	+5.5%	+0.3%

Source: PCBS

On a monthly basis prices have declined in the West Bank and Gaza compared with September, however, prices have increased by over 5% in the West Bank over the year.

Capital Markets News

The Palestine Exchange (PEX) hosted a two-day training course in Investor Relations (IR) and Corporate Communications, which was attended by 15 participants from PEX-listed companies and other private sector firms. It was conducted by the Middle East Investor Relations Society and a UK-firm, Finance Talking. The CEO of PEX, Mr Ahmad Aweidah said, 'This IR training...responds to the PEX efforts in developing effective IR practices in Palestine.'

The 6th annual Palestinian Capital Market Forum will be held in Ramallah on the 12 December, and will focus on the current challenges and future prospects of the brokerage industry in Palestine and the rest of the world.¹⁸

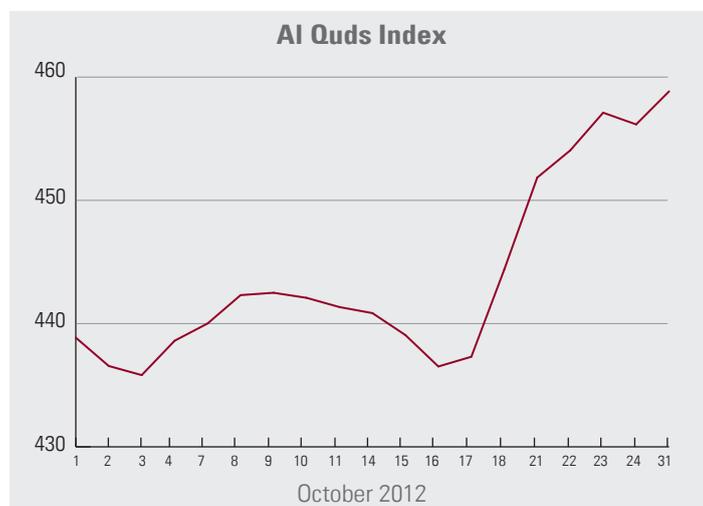
16 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_ExTrad082012E.pdf

17 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_CPI102012E.pdf

18 www.pex.ps/PSEWebSite/NEWS/31102012.doc

October Trading

In October the AI-Quds index increased by 2.93%, closing at 458.84 points. The index reached its lowest (435.82) and highest (458.84) levels on 3 and 31 October respectively. 10.2m shares worth \$16.3m were traded in 19 sessions. Market capitalisation was \$2.7bn.



Source: PEX

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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