

PALESTINIAN ECONOMIC BULLETIN

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Main reports

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Gaza

An official, comprehensive and definitive assessment of the economic impact of the Israeli military operation 'Pillar of Defence' is yet to be issued by the Palestinian Authority (PA). Nevertheless, economic losses and damage to infrastructure and land have been estimated by a number of local sources.

At an aggregate level the Gazan Chamber of Commerce estimates the total damage to the economy (including health and social services) to be about \$300m.¹ Omar Shaban, a Gazan economist and director of the Gaza based think-tank Pal-Think, estimates the total losses to be around \$250m.²

Certain economic activities such as fishing and farming are expected to recover more quickly than others with the easing of some restrictions following the ceasefire agreement. The fishing limit in Gaza has been extended to six nautical miles (doubling the three mile limit in force before the operation). This extended area is expected to increase the catch volume by 500-700 tons per year for a total catch of about 1,700 tons per year. Agricultural production is also expected to increase as farmers are allowed access to more of their land. Before the operation Gazan farmers were prevented from accessing around 35% of Gaza's arable lands as it was deemed a buffer zone by the Israeli government.³

Regarding trade and the movement of goods, the first ever export of Gazan spices destined to Europe took place days before the start of the military operation.⁴ It involved one truckload carrying a tonne of Gaza-grown spices with an approximate value of 40,000 NIS.⁵ After the ceasefire agreement Israel opened the Kerem Shalom Crossing for Gazan trading. Four days after the reopening, eight truckloads of strawberries and one of flowers had been exported from Gaza to Europe. At the same time, 135 truckloads carrying goods for the agriculture, trade and transportation sectors had been allowed into Gaza. The provision of cooking gas into Gaza had also resumed, with more than 179,000 kg being supplied after the ceasefire.⁶

Additionally, Gaza's Ministry of Education stated that 52 schools have sustained moderate to severe damage and estimate the total cost of repairs to be around \$4m.⁷ The Gaza Ministry of Telecommunications and Information Technology estimates the total damages for the sector at around \$1.4m. The Ministry reported that more than 35 IT, Telecom and internet companies, 13 broadcasting companies and 21 radio stations suffered damages.⁸

1 www.maannews.net/arb/ViewDetails.aspx?ID=541621

2 www.maannews.net/eng/ViewDetails.aspx?ID=541100

3 www.gisha.org/item.asp?lang_id=en&p_id=1763

4 www.jpost.com/DiplomacyAndPolitics/Article.aspx?id=288753

5 www.cogat.idf.il/1043-10552-EN/Cogat.aspx

6 www.samanews.com/index.php?act=Show&id=114483

7 www.maannews.net/eng/ViewDetails.aspx?ID=541521

8 www.maannews.net/arb/ViewDetails.aspx?ID=543881

Finally, the European Union contributed an extra €11.5m to support UNRWA's core activities in the areas of health, education and social services in Gaza.⁹ This transfer comes on top of an €80m contribution provided earlier in the year and in response to UNRWA's recent call for increased aid of €12.7m.¹⁰

The National Bank

Al-Rafah Microfinance Bank and the Arab Palestinian Investment Bank announced the signing of their merger agreement and the creation of The National Bank (TNB) after receiving the necessary approvals from the Palestine Monetary Authority (PMA) and the Palestinian Ministry of National Economy.¹¹ The new bank will have a paid-in capital of \$50m and will aim to raise additional capital to reach \$75m in the near future. The National Bank is expected to provide a comprehensive array of banking services that will include individual and SME business lending and investment services, in addition to mortgage finance.

Ahmad Alhaj-Hasan, General Manager of Al Rafah Microfinance Bank, told the Bulletin, 'at TNB we aim to occupy a space among the leading and most profitable banks in Palestine by being the national alternative for all Palestinians seeking a sound, modern and superior financial services provider.'

According to Alhaj-Hasan, TNB is expecting a larger client base given the bank's new strategy, which sees expansion from offering only microfinance to providing a wide range of products.

TNB will be the largest bank in the Palestinian Territory in terms of its shareholder base, which exceeds 13,000. It is expecting significant growth in all sectors over the coming years. TNB recently opened its sixth branch and plans to open a branch in every major city in the West Bank by the end of 2013, with expansion in rural areas through ATM networks, offices and smart branches.

Labour Force Survey

Recent results of the labour force survey show that unemployment continued to increase over Q3 2012 and that participation rates remain low at 43.4%. Unemployment reached 24.3% in the Palestinian Territory – 20.4% in the West Bank and 31.9% in the Gaza Strip. By age, unemployment is highest amongst youth aged 20-24 at 43.8%. The unemployment rate for females with 13 years of schooling or more is 50.9%.

Between Q2 2012 and Q3 2012 the number of employed persons in the West Bank decreased by 30,000 and the

number of employed persons in the Gaza Strip decreased by 11,000. During the same period the number of workers from the West Bank employed in Israel and Israeli settlements increased by 8,000.

The services sector continues to absorb most of the employed at 34.3% in the West Bank and 51.7% in the Gaza Strip. This is seconded by the public sector which employs 22.9% of all employees; 16.3% in the West Bank and 38% in the Gaza Strip.¹²

Conference for Family-Owned Businesses in Nablus

On 27 November the Nablus Chamber of Industry and Commerce (CIC) held a conference to discuss the concerns of family-owned businesses.¹³ Several studies on the family-owned business sector in the Palestinian Territory were presented. The aim was to highlight ways to promote a better understanding of the nature and specific problems of this important economic segment.

During the conference discussions were held on the challenges, limitations and opportunities faced by family-owned businesses in the Palestinian Territory. This resulted in policy recommendations for the sector.

Some of the main suggested actions included the establishment of a framework for good working practices; the promotion of separation between business ownership and management; the progression towards an extended use of the internet and sophisticated financial and managerial software; enhancing the relationships between workers and owners; and the holding of periodical sectorial conferences.¹⁴

The conference was attended by important local figures including a representative of the Palestinian Ministry of National Economy, the Mayor of Nablus, the CEO of the Bank of Palestine, several family business owners from all areas of the Palestinian Territory, academics and a number of experts and renowned business people from Jordan and the Palestinian Territory.

Auditing Examinations

On 20-21 November the first Palestinian auditing examination was sat by ten Palestinian trainee accountants.¹⁵ The exam, which will take place twice a year, is the result of collective efforts between the Palestinian Association of Certified Public Accountants (PACPA) and the Auditing Profession Board, among other bodies. A board of examiners comprised of five members

9 www.unrwa.org/etemplate.php?id=1538

10 www.portlandtrust.org/publications/peb/issue-74-november-2012

11 www.maannews.net/arb/ViewDetails.aspx?ID=541729

12 www.pcbs.gov.ps/site/512/default.aspx?tabID=512&ItemID=638&mid=3172&version=Staging

13 www.maannews.net/arb/ViewDetails.aspx?ID=540983

14 www.nablus-chamber.org/?lang=0&page=4&id=231

15 www.alquds.com/news/article/view/id/399339

(including a representative from the Auditing Profession Board, one member from PACPA and three academic experts) has been created to set and assess the exams. The subjects covered include Palestinian tax laws and related regulations, in addition to international accounting principles and practices.

The achievement constitutes a boost for local expertise and individual careers in the accountancy and auditing sector and is likely to strengthen Palestinian links with the international audit profession. The certification has been designed to ensure that accountants have the required qualifications. It is expected that this will increase confidence in local professionals and enhance their expertise in financial documents and accounting statements. This in turn is likely to promote a more suitable environment for investment.

Gaby Karmi, Senior Manager at PricewaterhouseCoopers in Ramallah, told the Bulletin that the certifications 'will help increase and affirm confidence in financial reports prepared by such certified professionals' and, at the same time, reduce 'the risk of uncertainty and mistrust in financial information, which can have both a direct and indirect impact on the national economy.'

New British Trade Envoy appointed

On 12 November the British government announced the appointment of Baroness Morris of Bolton as Trade Envoy to Jordan, Kuwait and the Palestinian Territory. As Envoy she will promote trade for UK businesses in the region and explore avenues for mutual cooperation and development. The role will also involve leading trade delegations and meeting key individuals in the target markets with the objective of raising their profile amongst UK businesses.

Baroness Morris told the Bulletin, 'I am delighted to be taking on this new role as Trade Envoy as I believe there are great opportunities for British business in the Palestinian market. I have always been impressed by the spirit of dynamism and entrepreneurialism shown by the Palestinian private sector and I look forward to sharing this with British businesses over the coming months.'

The UK Trade & Investment Department (UKTI) has chosen these markets for their level of trade and potential for growth over the longer term. In the Palestinian Territory, the UKTI has identified good opportunities in the financial and legal sector, education, construction and ICT.¹⁶

Italian-Palestinian Joint Ministerial Committee

The first Italian-Palestinian Joint Ministerial Committee meeting was held in Rome on 23 November. As stated

by the Italian Foreign Minister, Giulio Terzi, the initiative aims to strengthen the bilateral relationship 'at all levels, with an emphasis on economic collaboration for a true partnership between enterprises.'¹⁷ The meeting, co-chaired by the Foreign Minister of the Palestinian National Authority, Riyad Al-Maliki, brought together entrepreneurs in a country presentation on business opportunities in the Palestinian Territory.

The Italian representative confirmed Italy's support to the PA for cooperation projects totalling €100m and that an office of the Italian Trade Commission will be opened in Ramallah. A total of eight agreements were signed in the archaeological and cultural tourism, university and research, justice and trade relations sectors.

Jericho International Banking Conference

The PMA hosted an international banking conference in Jericho on 26 November. The main aim of the session was to address the banking needs and challenges faced by Small and Medium Enterprises (SMEs) in the Palestinian Territory.¹⁸ The conference, which was sponsored by the PMA, the International Finance Corporation and the Association of Banks in Palestine, included speeches and lectures by prominent economic and banking experts.

PCBS Establishments Census

The Palestinian Central Bureau of Statistics (PCBS) recently issued the preliminary results of its 2012 Establishments Census which covers firms in the private sector, non-governmental organisations and government bodies.¹⁹ The main findings show that a total of 144,964 establishments are registered in the Palestinian Territory - 98,384 in the West Bank and 46,580 in the Gaza Strip. The number of operating establishments increased by 27.6% from the 2007 survey and 42.7% from 2004.

As shown in the chart below, Hebron is the governorate with the largest number of operating establishments, followed by Gaza and Nablus.

The results show that the number of workers employed by establishments reached a total of 387,341, an approximate 50% increase from the 2004 census' figures. Over 68% of all establishment employees are located in the West Bank and around 32% in the Gaza Strip.

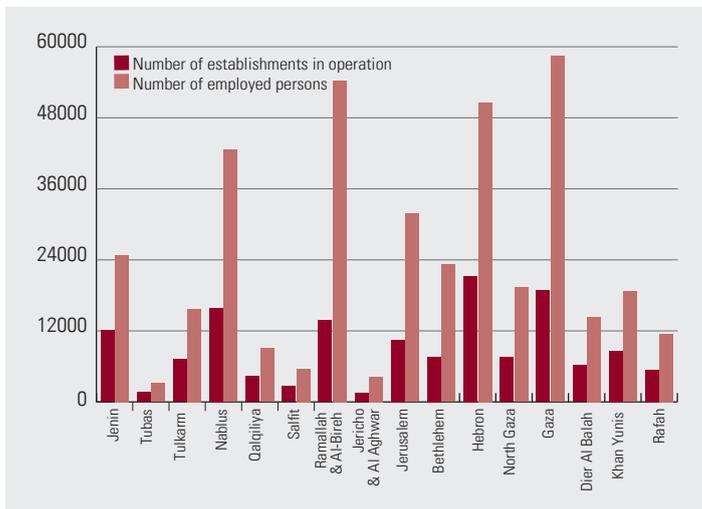
A breakdown of the employment figures by gender shows that of the registered total number of employees 82% are male and 18% female. This shows a slight increase in female participation with respect to the 2004 figures, in which the registered participation ratio of female employees was 15.4%.

¹⁷ www.ansamed.info/ansamed/en/news/sections/economics/2012/11/23/Collaboration-Palestinian-economy-stepped-up-Italian-FM_7846866.html

¹⁸ www.maannews.net/eng/ViewDetails.aspx?ID=537272

¹⁹ www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1933.pdf

¹⁶ www.ukti.gov.uk/uktihome/item/403560.html



Source: PCBS

Third Quarter Building Licenses

1,778 building licenses were issued in the Palestinian Territory in Q3 2012, a drop of 18.8% compared to Q2 2012. However there was a small increase of 3.6% when compared to Q3 2011. The underlying data shows that licenses for residential homes increased by 3.4% in Q3 when compared to Q2 of 2012, and by 29.3% when compared to the same quarter for the previous year. The construction sector constitutes 12% of Palestinian GDP and employs around 13% of total workers.²⁰

Hotel Activities Q3 2012

In Q3 2012 the total number of guests in Palestinian hotels was 146,451, down by 7% from Q2 2012 but up by 39% from Q3 2011. The occupancy rate reached 28% in Q3 2012, a 17% drop from the previous quarter, and a 13% increase from Q3 2011.

The guests, who stayed the equivalent of 310,000 nights, were mostly European (32%) and Palestinian (19%).

The hotel sector employs a total number of 2,446 workers.²¹

20 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_PQNAQ2-2012A.pdf
 21 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_HotActvSurQ32012A.pdf

September Trade

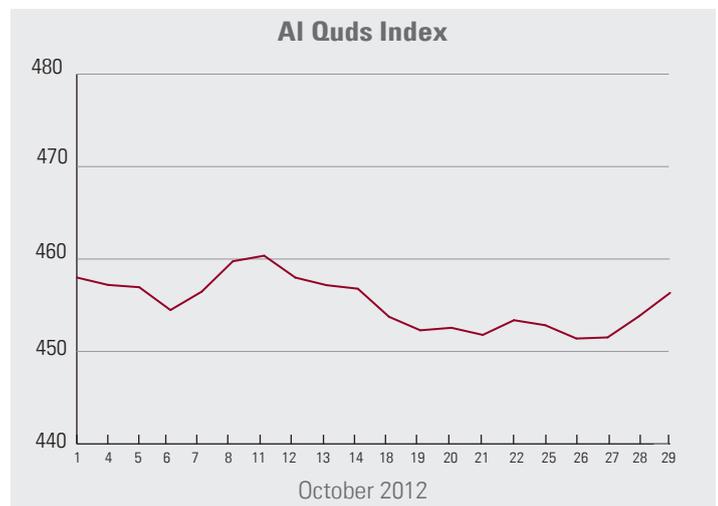
Figure 1: September Trade²²

	Exports	Imports
Level	\$59.1m	\$328.3m
Change from 08/2012	3%	-8.10%
Change from 09/2011	2.10%	-6.40%
To/from Israel (% of total)	89.20%	68.90%
Trade deficit		\$269.2
Change from 08/2012		-10.20%
Change from 09/2011		-8.10%

Source: PCBS

November Trading

In November the AI-Quds index decreased by 0.54%, closing at 456.34 points. The index reached its lowest (451.40) and highest (460.36) levels on 26 and 11 November, respectively. 8.6m shares worth \$11.6m were traded in 20 sessions. Market capitalisation was \$2.7bn



Source: PEX

22 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_ExTrd092012E.pdf

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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