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Main reports

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National Accounts

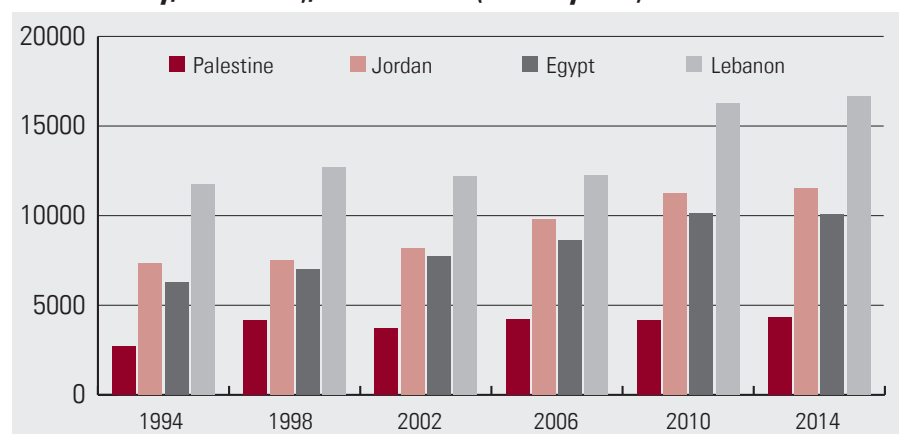
In Q2 2015, country-level GDP increased by 6% in real terms compared to the previous quarter, and was 2.1% higher than in Q2 2014.¹ The 2.1% year-to-year appreciation in GDP was mainly due to growth in construction activities (22%) and customs duties (24.1%). The overall quarter-to-quarter rise in GDP was due in part to a 31.1% increase in construction activities. Services activities remained the largest contributor to GDP (21%) and employment (35.7%) in Q2 2015.²

Real quarterly GDP in the West Bank (\$1,501.3m) increased by 5.1% in Q2 compared to the previous quarter and 3.3% from Q2 2014. The year-on-year increase was mostly explained by high growth in customs duties (24.3%). In Gaza, real GDP increased by 8.9% compared to the previous quarter, while it decreased by 1.5% compared to Q2 2014 - signalling that the recovery to the pre-war economic output level in Gaza is still underway. The quarterly increase was due primarily to growth in construction activities (78.7%).

Country-level GDP per capita was \$448.2 in Q2 2015, a decrease of 0.9% from Q2 2014. In the West Bank, GDP per capita was \$478.8 in Q2 2015, up 0.6% compared to Q2 2014. In Gaza, it reached \$261.2, a decline of 4.8% compared to the corresponding quarter in 2014.

According to a recent report by the Office of the Quartet, current investment levels are not sufficient for Palestinian businesses to maintain and replace existing equipment.³ If these trends are not reversed, businesses are expected to see a decrease in productivity and output over the coming years, losing further ground to their competitors in Israel, Jordan, Egypt, and the Gulf. The Palestinian agricultural and manufacturing base has already declined considerably, currently down to 15% of GDP from a high of 30% in 1994.

Figure 1: Palestinian GDP per capita in Regional Comparison (Purchasing Power Parity, 2011 USD); 1994 to 2014 (select years)



Source: World Bank WDI

1 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_QNAQ22015E.pdf

2 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_english%20press.pdf

3 www.quartetrep.org/quartet-rep/news-entry/september-2015-AHLC/

The failure of GDP growth to keep pace with population growth has important economic consequences for Palestine. Whilst the unemployment rate has recently been declining in both the West Bank and Gaza, a quarter of the Palestinian labour force is still unemployed.⁴ In Gaza, the unemployment rate has declined from 47% during the 2014 war to 42% in the first half of 2015 as the reconstruction process started to slowly pick up and private firms have been rebuilding their capacity. Unemployment in the West Bank has also slightly reduced from an average of 18% in 2014 to 16% in the first half of 2015. The drop in unemployment in the West Bank could be explained by the increase in the number of West Bank laborers in Israel, which grew by 7% reaching 112,200 in the second quarter of 2015. However, recent security issues may have a negative impact on the West Bank labour market.

The World Bank estimates that poverty in Palestine reached 25% in 2014.⁵ The overall rate however, masks wide regional divergence. Poverty in Gaza was 39% which is almost 2.5 times higher than that in the West Bank (at 16% in 2014). According to the United Nations Relief and Works Agency (UNRWA), almost 80% of Gaza's population is currently aid dependent.⁶

Gaza

In mid-September 2015, the Egyptian authorities carried out operations to close illegal trade tunnels connecting Gaza and Egypt.⁷ The Egyptian army had already destroyed the majority of the tunnels in 2013. After the Israeli imposition of restrictions on the movement of goods and people between Gaza and Israel and the closure of the Rafah crossing by Egypt, the tunnels provided 80-90% of Gaza's total trade, about a third of imports and 40% of construction materials.⁸ The closing of tunnels in 2013 was estimated to have brought about losses of \$230m per month to the Gaza economy, mainly in the construction sector which faced rising prices of scarce materials. The economic losses caused by the recent closures are expected to be relatively low due to the small number of remaining tunnels.

According to the World Bank, businesses in Gaza report that even though export restrictions have been relaxed, they are hesitant to invest in capacity expansion to reach export markets because of the extremely uncertain political outlook.⁹

According to a recent report by the Office of the Quartet, restrictions on access to raw materials and technical equipment; restrictions impacting Gazan exports (in 2014 Gazan exports and trade with the West Bank amounted to

0.02% of imports by volume); and limits on business travel in and out of Gaza, have all contributed directly to the collapse of several productive sectors in Gaza (including agriculture and manufacturing).¹⁰

Significant restrictions on the movement of goods and people from Gaza remain in place. According to UNOCHA, in the first nine months of 2015, only 414 truckloads of goods were exported from Gaza, compared to 3,003 truckloads in January-August 2006 and 13,804 truckloads in January-August 2000.¹¹

Finally, slow donor aid disbursements and restrictions on imports continue to delay the Gaza reconstruction process. Out of the \$3.5bn of pledges made at the Cairo conference for Gaza reconstruction in 2014, \$1.2bn has so far been disbursed, which puts the disbursement ratio at 35%.

Expotech – Palestine's Technology Week

From 5 to 7 October, the 12th Expotech Technology Week took place simultaneously in the West Bank and Gaza.¹² Expotech brings together Palestinian and international ICT experts and entrepreneurs to better position the Palestinian ICT sector across regional and international markets. Expotech is organised annually by the Palestinian IT Association of Companies (PITA). Events included an IT commercial exhibition, a technology conference, and a business and technology forum. This year's event showcased Palestinian ICT developments to the international community.

51 companies and over 500 professionals participated in the event.¹³ The PNA Minister of Telecommunication and Information Technology Dr. Allam Mousa said: "Expotech has reinforced that Palestinian society is capable of achievements, especially in terms of bridging the digital divide to achieve a better life."

The Palestinian ICT sector has grown by 111% in value over the last decade and now represents 5.8% of Palestinian GDP.¹⁴ The use of computers and the internet has grown significantly. The percentage of households which own a computer rose from 32.8% in 2006 to 63.1% in 2014 and internet access increased from 15.9% in 2006 to 48.3% in 2014.¹⁵

International Investment Position and External Debt

In Q2 2015, the stock of investments of Palestinian residents outside Palestine (total external assets) exceeded investments in Palestine by non-residents (total

4 World Bank estimates based on PCBS Labor Force Survey data.

5 Based on latest available preliminary estimates by the World Bank

6 www.unrwa.org/newsroom/emergency-reports/gaza-situation-report-94

7 www.bit.ly/1G1mbTG

8 Bulletin 78 and Bulletin 86

9 www.bit.ly/1N7bc70

10 www.quartetrep.org/quartet-rep/news-entry/september-2015-AHLC/

11 www.bit.ly/1IVVAA3 (All figures exclude transfers to the West Bank)

12 expotech.ps/2015/

13 www.maannnews.net/Content.aspx?id=802193

14 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_QNAQ22015E.pdf

15 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_IntDyInfoSoc2015E.pdf

foreign liabilities). Palestine's International Investment Position (IIP, defined as external assets minus foreign liabilities) stood at \$1,245m in the second quarter of the year, marking a 4.8% decrease compared to Q2 2014.¹⁶ The observed decrease of \$63m was a result of a \$57m increase in foreign liabilities and a small decrease in external assets (\$6m). The increase in the stock of foreign liabilities was mainly explained by an increase of \$38m in foreign currencies and deposits and a rise of \$21m in portfolio investment (Table 1).

Table 1: International Investment Position (IIP) Stock, Palestine (USD million)

Investments Stocks by type of Investment	TOTAL			% Change	
	Q2 2015	Q1 2015	Q2 2014	From Q1 2015	From Q2 2014
International Investment Position (net)	1,245	1,308	980	-4.8%	27.0%
Total External Assets	5,917	5,923	5,875	-0.1%	0.7%
Foreign Direct Investment Abroad	348	158	179	120.3%	94.4%
Portfolio Investments Abroad	1,120	1,163	1,112	-3.7%	0.7%
Other Investments Abroad	3,819	3,946	4,033	-3.2%	-5.3%
Of which: currency and deposits	3,793	3,551	3,998	6.8%	-5.1%
Reserve Assets	630	656	551	-4.0%	14.3%
Total Foreign Liabilities	4,672	4,615	4,895	1.2%	-4.6%
Foreign Direct Investment in Palestine	2,388	2,386	2,444	0.1%	-2.3%
Foreign Portfolio Investments in Palestine	679	658	712	3.2%	-4.6%
Foreign Other Investments in Palestine	1,605	1,571	1,739	2.2%	-7.7%
Of which: Loans from abroad	1,122	1,124	1,163	-0.2%	-3.5%
Of which: currency and deposits	483	445	574	8.5%	-15.9%

Source: PCBS and PMA

For its part, the Gross External Debt on different sectors of the Palestinian economy reached \$1,605m at the end of Q2 2015, marking an increase of 1.9% compared to the previous quarter and a decrease of 7.9% compared to the corresponding quarter in 2014. The debt on general government sector represented 66.9%, while debt on banks sector reached 30.0% and debt on other sectors (non-financial, insurance enterprises NGOs and household sectors) amounted to 3.1%.

Table 2: Gross External Debt, Palestine, Q4 2013 - Q2 2015 (USD million)

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Gross External Debt	1,717	1,718	1,743	1,616	1,557	1,575	1,605

Source: PCBS and PMA

Inflation

During September 2015, inflation measured by the consumer price index (CPI) increased by 1.5% compared to September 2014.¹⁷ Over the same period, prices rose by 2.4% in the West Bank and 1.1% in Gaza. The overall CPI for Palestine during September 2015 increased by 1.2%

compared with August 2015. This was largely due to price movements in Fresh Vegetables (+26.8%), Dried Vegetables (+24.1%) and Potatoes and other Tubers (+12.3%). The Palestine Monetary Authority's inflation forecast shows that consumer prices in Palestine are expected to increase by around 1.6% during 2015, on average.

September Trading

In September, the Al-Quds index slightly increased by 0.6% from the previous month, reaching 484.7 points on the last day of trading. A total of 11.3m shares worth \$15.2m, were traded during the month. This marked an increase of 44.3% in the volume, and 19.7% in the value, of traded shares from August 2015. Market capitalisation increased over the month by 0.8%, reaching \$3.1bn.

Interview with Ms. Ola Awad

This month The Bulletin interviews Ms. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS) since 2009 and President-elect of the International Association for Official Statistics (IAOS). Ms. Awad has held different positions in PCBS since 2000 and is an active member in several national and international associations and research institutes. She is a fellow of the Middle East leadership initiative and the Aspen Global Leadership Network; board member of the Partnership in Statistics for Development in the 21st Century (PARIS21) representing Middle East; and Secretary General of the Palestinian Statistical Advisory Council since 2009.

How do you see the role of PCBS within Palestine's national agenda?

The aim of PCBS is to be a well trusted provider of Palestine's official statistics to all its users and stakeholders. PCBS is characterised as an independent professional institution that has nothing to do with politics or political parties. Its mandate is to produce the required data and disseminate them to all data users.

PCBS's major role is to secure timely and reliable data upon which policy and decision makers rely. Our national statistical strategy is well aligned with Palestine's national agenda and to that of the Mid Term Development Plan. In addition, the Palestine Prime Minister heads the advisory council for official statistics and therefore is well informed of key statistical information crucial for the development and policy making in Palestine.

PCBS is a key player in the National Monitoring and Evaluation Committee. It is represented on all of the national committees and is responsible to preparing and drafting the sectoral strategies. PCBS also works closely with line ministries to set socio-economic indicators for their strategic plans. Finally, our statistical calendar keeps policy makers well informed on when data is to be released and helps them keep up with the most recently available data.

16 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_IIPExDSQ22015E.pdf
17 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_CPI092015E.pdf

What's your top priority for PCBS at the moment?

My top priority is the implementation of the Population, Housing and Establishments Census 2017. As part of this, PCBS is planning to use tablets and GIS in specific phases of the census. The use of GIS devices in the production of the census will allow for more reliable data at the lowest possible geographical level to be collected in a time efficient manner. This would be considered as a big jump in the development of the National Statistical System.

Another priority is collecting data on Palestinians in Diaspora, where we have already implemented two surveys in coordination with the UN and other relevant governmental agencies within Lebanon. We are currently in the preparation phase to conduct a Population Census for the Palestinian Refugees in Refugee Camps and Localities nearby the camps in Lebanon.

What are your strategies for adapting to such volatile environment?

PCBS keeps on working uninterruptedly under the most challenging circumstances, even during the Gaza war last year. To ensure fulfilling our duty towards data users, which is answering their needs of data covering all aspects of life, we have adopted several strategies such as: enforcing the decentralization of PCBS's Regional Offices; appointing fieldworkers and enumerators from the same localities especially in "Area C"; adopting Information Technology in collecting data (such as tablets, hand-held-devices); and focusing on the capacity building of our staff, as they are the resource that we depend on to keep functioning and be able to secure reliable data in a timely manner.

PCBS is characterized by its innovative and open approach and agenda. What are some of the top innovations you're seeing in the collection and use of statistics?

PCBS focuses on strengthening statistical knowledge and raising awareness of statistics. As part of this work, PCBS is ensuring that the school curricula contains statistics that are presented in a simplified and user-friendly manner. We use a variety of media such as cartoons, animation, and infographics to create and enhance awareness among our students. Furthermore, through adopting social media such as the PCBS Website, Facebook, and Twitter, we ensure that data is disseminated in a wider range of

people. This has improved our interaction with the public as, generally speaking, statistics reports are not easily understood by non-specialized personnel.

You are the first Middle Eastern to have been elected as President of the International Association for Official Statistics (IAOS). What are your goals as the head of such prestigious organization, and what does it mean for Palestine and the region?

To begin with, on the personal level I am very happy with this accomplishment as I was not seeking for this post but rather nominated to it by other member countries. I believe this will help put Palestine on the global map and is recognition of the high professionalism of our organization.

My goal as the President of IAOS is to strengthen the organization through better engagement with its members. My strategy for achieving this includes four objectives, all of which focus on people. First, ensure that the work of IAOS is relevant to its members and to other peer organizations. Second, maintain visibility at statistical events to maintain an appropriate role in global statistical directions. Third, build new partnerships and develop existing ones so IAOS can better serve the global statistical community. Finally, institutionalize the work of IAOS so that in the future the organization can focus on developmental issues rather than managerial matters.

Palestine is the first Arab and developing country that has been elected as the president of IAOS and such an opportunity is a golden one. It will assist in shedding light on how data is being produced under challenging circumstances, which are no longer limited to Palestine but are being faced by various countries within the region such as Syria, Iraq, Egypt, Yemen, and Libya. Such data is of high importance since it can help show what is happening on the ground and what interventions should be mobilized.

I aim to bridge the gap between developing and developed countries in several international priorities such as moving from the Millennium Development Goals (MDGs) towards the Sustainable Development Goals (SDGs). Finally, one of our goals will be to draw attention to the challenges faced by countries in conflict in implementing official statistics. I believe if we are able to succeed in this, we will leave a well needed imprint on the global agenda.

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