

## PALESTINIAN ECONOMIC BULLETIN

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### Main reports

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*The closure of the third annual Celebration of Innovation competition took place on 24 November in Ramallah, during the Global Entrepreneurship Week.*

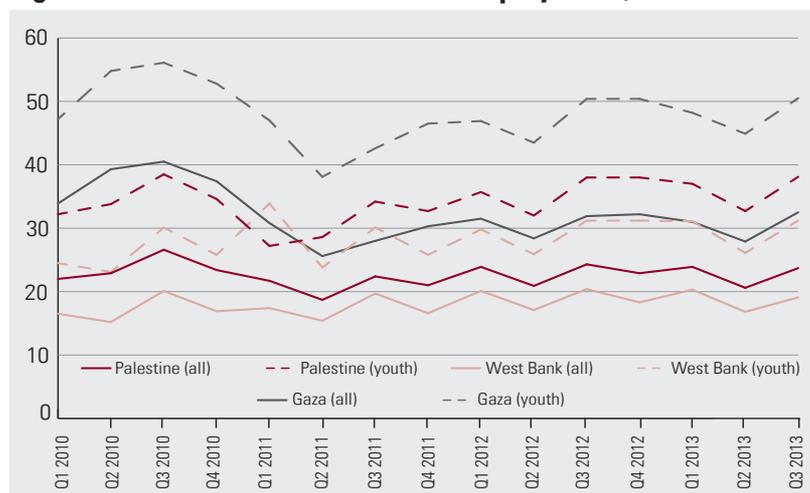
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### Labour Market

In Q3 2013 total unemployment in Palestine remained high and reached 23.7%, up from 20.6% in Q2 2013, but slightly lower than the 24.3% rate registered in Q3 2012.<sup>1</sup> Notably, the year-to-year drop took place despite a moderate increase in overall labour force participation, which stood at 43.6% in Q3 2013 - up from 43.4% in Q3 2012. The reduction in total unemployment was fully explained by an absolute decrease of 1.2 percentage points in the unemployment rate of the West Bank. For its part, unemployment in Gaza rose by 0.6 percentage points in Q3 2013 with respect to Q3 2012.

**Figure 1: General and Youth Total Unemployment (Q1 2010 – Q3 2013)**



Source: PCBS

Total unemployment among youth aged 15-29 continues to be alarmingly high, reaching 31.2% in the West Bank and as much as 50.4% in Gaza. These figures are practically the same as in Q3 2012, although youth labour force participation registered a minor year-to-year increment.

In Q3 2013 the nominal average daily net wage in the West Bank stood at NIS 88.3, and reached NIS 59.3 in Gaza. While the nominal wage in the West Bank was slightly higher than in the previous year, in Gaza it suffered a drop from both the previous quarter and from Q3 2012 - when nominal daily wages averaged NIS 64.3. As a result, the pay gap between West Bank and Gazan workers increased from around 35% in Q3 2012 to almost 50% in Q3 2013.

The observed year-to-year nominal wage decrease of around 7% in Gaza resulted in net purchasing power losses for workers, since consumer price inflation rose by almost 1.5% between Q3 2012 and Q3 2013. In Q3 2013 37.2% of waged employees in the private sector received less than the minimum wage across Palestine.

For its part, average daily wages of Palestinian workers in Israel and Israeli settlements reached NIS 178.9 in Q1 2013, an increase of around 7% with respect to the previous year. The total number of Palestinians employed in Israel and

1 [www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press\\_En\\_LFSQ32013E.pdf](http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_LFSQ32013E.pdf)

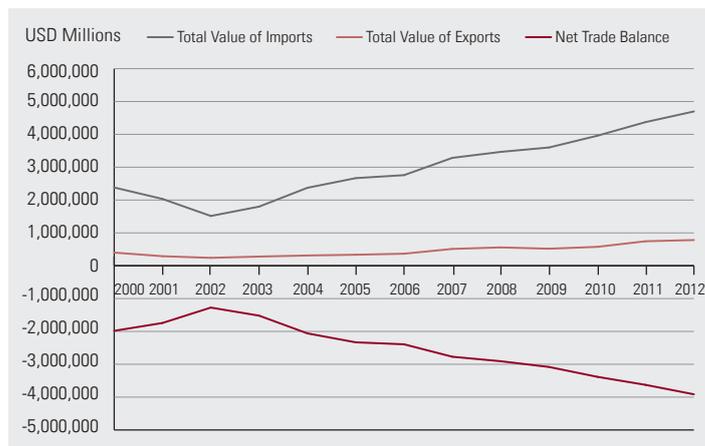
Israeli settlements increased from 88,000 in Q3 2012 and 96,000 in Q2 2013 to 103,000 in Q3 2013 (of which more than 60% worked in construction activities). Of this total, 51,100 were workers with a permit, 34,600 were workers who did not have a permit and more than 17,000 were persons who have Israeli documents or a foreign passport. The 7,000 jobs added in Israel and Israeli settlements with respect to the previous quarter partially offset the total job loss in the domestic market, resulting in an overall net loss of 21,000 jobs between Q2 2012 and Q3 2013.

## External Trade 2012

In 2012 total Palestinian imports of goods reached \$4,697m, while the total value of exports amounted to \$782m. This represents an increase of 7.4% and 4.9% from 2011, respectively. As a result, total deficit in the net trade balance reached \$3,915m, a 7.9% increase from the previous year.<sup>2</sup>

Figure 2 shows that between 2000 and 2012 the value of goods exports grew, on average, at a slower pace than the value of imports, resulting in a steady decline of the trade balance.

**Figure 2: Registered Imports, Exports and net Trade Balance in Goods in Palestine, 2000 - 2012**



Source: PCBS

The Palestinian economy faces a longstanding need to reduce its high dependence on Israel by diversifying its export and import destination and origin markets. However, this remains a challenge given the continuation of the system of restrictions on movement of goods set by the government of Israel on the West Bank and the Gaza Strip. In 2012 exports to Israel stood at \$639.2m (a 0.7% drop from 2011) and represented more than 80% of all exports. Imports from Israel, at \$3,351m (a 8.4% increase from 2011), constituted just above 70% of the total. At the same time, exports to neighbouring Jordan, although 50% higher than in 2011, are still relatively low in volume (\$58m) and constitute less than 8% of the total.<sup>3</sup>

In related news, in November 2013 Palestinian officials

welcomed in Ramallah a Chinese commercial delegation headed by China's Vice Commerce Minister, Li Jinzao. Palestinian Minister of National Economy, Dr Jawad Naji, requested authorisation to the entry of more Palestinian goods into China. Mr Li pledged increased support for Palestinian exports and highlighted that the commercial exchange between the two countries reached \$50m during the first nine months of 2013.<sup>4</sup>

## Trade Mission to the Netherlands

Representatives of 14 Palestinian companies, PalTrade, the Palestinian Federation of Industries (PFI), the Palestinian Businessmen Association (PBA) and the Palestinian Information Technology Association of Companies (PITA) travelled in a trade mission to the Netherlands on 27 October. The mission, funded by the NL Agency (a division of the Dutch Ministry of Economic Affairs), was organised by the Netherlands Representative Office in Ramallah and the Netherlands Center for Trade Promotion (NCH).

During the visit, NCH organised a two-day information and country-branding event in The Hague with the aim of promoting opportunities to "Do Business in Palestine" among Dutch companies. Both Dutch and Palestinian officials and senior representatives from Dutch business organisations attended the event.

Palestinian companies from the ICT, agriculture, furniture, processed food, chemical industry, metal industry and stone and marble sectors also took part in a tailor-made individual networking programme. Activities included visits to local firms and business-to-business matchmaking with around 60 Dutch companies.

Mo'men Sinokrot, commercial manager of Palestine Gardens (an agricultural exporter from the West Bank), told the Bulletin: "There was immense interest from the Dutch side to cooperate on many levels. Trade opportunities in the Netherlands are enormous and Palestinian companies have great potential to enter the market. I met several companies that are interested in buying our products and we are already collaborating with them." Dr Yahya Al-Salqan, President and CEO of Jaffa.Net Computer Systems, explained that his company "...met with different Dutch ICT firms and explored opportunities to outsource software development to Palestine."

## Celebration of Innovation

The closure of the third annual Celebration of Innovation (COI) competition took place on 24 November in Ramallah, during the Global Entrepreneurship Week (GEW).<sup>5</sup> Through worldwide activities, GEW gathers innovators and job-creators that launch start-ups and bring ideas to life as a way of driving economic growth and expanding human welfare.<sup>6</sup>

2 [www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press\\_En\\_RegExTrd2012E.pdf](http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_RegExTrd2012E.pdf)  
3 [www.pcbs.gov.ps/Portals/\\_PCBS/Downloads/book2024.pdf](http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2024.pdf)

4 [www.english.peopledaily.com.cn/90883/8458612.html](http://www.english.peopledaily.com.cn/90883/8458612.html)  
5 [www.pnbpalestine.org/#!coi2013/cq80](http://www.pnbpalestine.org/#!coi2013/cq80)  
6 [www.gew.co/about](http://www.gew.co/about)

COI, a nation-wide entrepreneurial competition, is the flagship programme of Palestine for a New Beginning (PNB), a Palestinian non-profit supporting entrepreneurship among the Palestinian youth. Finalists of COI 2013 participated in a week-long training programme designed and conducted by Dimensions Consulting, one of PNB's partner organisations. The group of young entrepreneurs received training in marketing, accounting, finance and management and presentation skills, in order to better pitch their ideas to Palestinian, Arab and international business leaders, venture capitalists and angel investors during the November finals.<sup>7</sup>

PNB awarded prizes to five projects, including Al Anamel's, a company that teaches the blind how to read Braille by using a small, battery-operated, affordable device. Water Production Company, which is working on a project to alleviate the problem of available drinking water in Gaza through solar-power-operated desalination and filtration devices, was also among the winners.<sup>8</sup>

The selected projects will be given a long-term interest-free loan of up to \$20,000. This type of financial support is crucial to early-stage entrepreneurs, who are typically excluded from the traditional banking system given their high-risk profile. To address this issue PNB is also currently working on establishing an Innovation Fund that will invest in early-stage companies.

Additionally, COI winners will receive individualised consulting services from Indiana University's Kelley School of Business MBA students and will be connected to (Arab) American as well as local mentors.

## Foreign Investment Survey of Resident Enterprises 2012

A recent survey by the Palestine Monetary Authority (PMA) and the Palestinian Central Bureau of Statistics (PCBS) shows that total external assets of resident enterprises in Palestine (stocks invested abroad) amounted to \$5,155m by the end of 2012, an increase of 0.2% from the previous year.<sup>9</sup> At the same time, total foreign liabilities of resident enterprises (stocks held by non-residents in resident enterprises) stood at \$2,625m, up by 2.1% from 2011.

Almost 65% of external assets held by resident enterprises (around \$3.6bn) were currency and deposits in banks abroad, an amount equivalent to 55% of resident private sector deposits in domestic banks in 2012.

At the same time, around 55% of total investment by non-residents in the Palestinian economy was foreign direct investment (FDI), more than half of which was channelled

into financial intermediation activities. More than 80% of total FDI flows came from Jordan, followed by Qatar (9%), Egypt (4%), the US (3%) and the UAE (1%).

## IT & Digital Entrepreneurship Developments

PITA has recently established the Palestine Global IT Network (GloPal), a platform aimed at placing Palestine on the global IT map.<sup>10</sup> GloPal will provide international connections to Palestinian companies, entrepreneurs, investors and IT professionals. The initiative's global network is expected to include skilled members of the Palestinian and Arab Diaspora in order to leverage their resources, knowledge and contacts.

In separate news, the second edition of Startup Weekend Ramallah took place on 21-23 November.<sup>11</sup> Earlier this year similar events took place in Nablus and Ramallah. Startup Weekends are hands-on, intense events focusing on building web or mobile applications and providing a platform for entrepreneurs to launch their products and services.<sup>12</sup>

Startup Weekend Ramallah 2 focused on the promotion of entrepreneurial and competitive spirit among participants. Numerous local and foreign IT experts and successful entrepreneurs were among the coaches and judges of the event. Omar Omran, one of the coaches (and a Birzeit University faculty), told the Bulletin: *"Startup Weekend Ramallah was a great event that allowed for passion to be channelled in a manner that brought people and ideas closer to the real world. There was an overwhelming sense of cooperation and energy between the participants, along with a healthy sense of competition."*

A total of 14 teams took part in a competition for support, mentorship and the opportunity to compete in a global Startup event to take place in the US. The three winning projects were IOHA (a drag-and-drop allowing users to easily build complex web applications), MashVisor (a website analysing trends in Airbnb reservations) and IOU (a coupon-like mobile app enabling users to pay less at the cash register).<sup>13</sup> During the event MashVisor and IOU signed contracts with clients, including Domino's Pizza and cafés in Ramallah.

## Palestine Deposit Insurance Corporation

During its 12<sup>th</sup> annual conference, the International Association of Deposit Insurers (IADI) admitted the Palestine Deposit Insurance Corporation (PDIC) as a full member.<sup>14</sup> The PDIC was established in May 2013 with the aim of boosting the confidence of the banking

<sup>10</sup> [pita.mentorcloud.com/](http://pita.mentorcloud.com/)

<sup>11</sup> [ramallah.startupweekend.org/](http://ramallah.startupweekend.org/)

<sup>12</sup> [www.facebook.com/#!/SWRamallah](http://www.facebook.com/#!/SWRamallah)

<sup>13</sup> [www.wamda.com/2013/11/entrepreneurs-battle-startup-weekend-ramallah](http://www.wamda.com/2013/11/entrepreneurs-battle-startup-weekend-ramallah)

<sup>14</sup> [www.pma.ps/Default.aspx?tabid=205&ArtMID=793&ArticleID=342&language=en-US](http://www.pma.ps/Default.aspx?tabid=205&ArtMID=793&ArticleID=342&language=en-US)

<sup>7</sup> [www.pnbpalestine.org/#1celebration-of-innovation/c24le](http://www.pnbpalestine.org/#1celebration-of-innovation/c24le)

<sup>8</sup> Other winners included Yalla (interactive tourist guides), Code Academy (coding and programming for children) and SocialDice (hiring solutions)

<sup>9</sup> [www.pcbs.gov.ps/Portals/\\_PCBS/Downloads/book2018.pdf](http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book2018.pdf)

system's depositors, maintaining the system's stability, and encouraging the movement of savings - thus promoting economic growth. During the initial phase of its implementation the PDIC will cover 93% of depositors in the Palestinian banking system.<sup>15</sup>

Founded in 2002, the IADI represents 72 members globally (including now Palestine). Its mission is to enhance the effectiveness of deposit insurance systems through the provision of counselling, supervision and international cooperation. Its 2013 annual conference, held in Buenos Aires on 8-12 November, included discussions around changes to global financial scenarios, the responsiveness of deposit insurance institutions and banking systems to the global financial crisis and the role of financial safety nets in achieving financial stability. PMA Governor Dr Jihad Al Wazir represented Palestine at the event.

## Hotel Activities

During Q3 2013 almost 136,000 visitors stayed for around 321,000 guest nights in hotels in the West Bank and East Jerusalem. While the total number of guests was 8% lower than in Q3 2012, guest nights rose by almost 4% over the same period, indicating an increase in the average length of visitor's stay.<sup>16</sup> Hotel room occupancy in Q3 2013 was around five percentage points lower than in Q3 2012, although there were almost 800 more rooms in Q3 2013. Following a mid-term trend, most guests came from EU countries (37%), followed by Palestinians (10%).

**Table 1 – West Bank and East Jerusalem Hotel indicators**

	Q3 2013	Q2 2013	Q3 2012
Number of guests	135,808	153,085	146,451
Number of guest nights	321,264	376,848	309,963
Number of hotels	112	107	92
Number of rooms	6,035	5,936	5,259
Room occupancy (%)	22.9	26.2	28.3

## Support for Infrastructure Development

In November, US Secretary of State John Kerry announced a contribution of \$75m for the development of infrastructure

15 [www.portlandtrust.org/sites/default/files/peb/issue81\\_june\\_2013.pdf](http://www.portlandtrust.org/sites/default/files/peb/issue81_june_2013.pdf)

16 [www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press\\_En\\_HotelActvQ32013E.pdf](http://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_HotelActvQ32013E.pdf)

projects across Palestine.<sup>17</sup> The funds will be channelled through the Palestinian Authority's High Impact Micro-Infrastructure Initiative (HIMII). The disbursement brings the US Government's total contribution to the initiative to \$100m.

Improvements to infrastructure in the West Bank and Gaza are much needed to support private sector development. The HIMII, which counts on the support of several donors, aims to provide quick and tangible infrastructure enhancements in line with Palestinian national objectives and, at the same time, lay the ground for further economic growth through the development of small-scale, community-based infrastructure projects.<sup>18</sup> Priority projects, as identified by the PA, include the construction and renovation of health clinics, roads, water systems, community centres and schools. It is expected that projects will be completed by early 2014.

## November Trading News

In November the Al-Quds index increased by 10.7%, closing at 529.80 points on the last day of trading. The index reached its lowest (477.56) and highest (537.01) levels on 4 and 26 November, respectively. November 2013 was the first month since July 2011 in which the index exceeded the 500 points threshold. A total of 67m shares worth \$105.8m were traded in 19 sessions. Market capitalisation was \$3.2bn.

November marked a remarkable growth in trading activities as both the number of traded shares and their value rose by ten times from the previous month. PADICO Holding contributed 76.5% of the traded shares by volume (51.3m shares) and 60.3% of the traded shares by value (\$63.8m).<sup>19</sup> Samir Hulileh, CEO of PADICO Holding, told the Bulletin: "During November, Paltel (an affiliate of PADICO) increased its participation in PADICO by acquiring 16.2% of the company's total 250m shares, for a price of \$1.25/share. However, after the operation the market pushed the share price to a maximum unit price of \$1.36, and has kept it around that level for the last few weeks. This is indicative of great optimism and confidence in the market."

17 [www.state.gov/r/pa/prs/ps/2013/11/217236.htm](http://www.state.gov/r/pa/prs/ps/2013/11/217236.htm)

18 [www.usaid.gov/west-bank-and-gaza/fact-sheets/nov-2013-fact-sheet-infrastructure](http://www.usaid.gov/west-bank-and-gaza/fact-sheets/nov-2013-fact-sheet-infrastructure)

19 [www.pex.ps/PSEWebSite/publications/PEXIssue-03dec2013.pdf](http://www.pex.ps/PSEWebSite/publications/PEXIssue-03dec2013.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](mailto:feedback@portlandtrust.org)

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