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Main reports

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In February, the Al-Quds index increased by 2.5% from the previous month, reaching 530.3 points on the last day of trading

National Policy Agenda 2017-2022

On 22 February 2017, the Palestinian Government launched the "National Policy Agenda 2017-2022: Putting Citizens First" (NPA)[1], which together with the Government's Sector and Cross-cutting Strategies,[2] constitute Palestine's fourth National Development Plan since 2008. The slogan "Putting Citizens First" was selected to highlight the transition from previous National Plans, where focus was on building state institutions and enhancing institutional capacity to a new phase where public institutions embrace an agenda that aims to improve citizens' quality of life by providing high-quality public services, fostering job creation in the private sector and protecting vulnerable communities. Within this framework, the NPA aims to establish a realistic policy and fiscal framework, while focusing the work of public institutions on spending available resources effectively and efficiently. The NPA is based on three pillars: the path to independence, government reform and sustainable development. Under each of these three pillars, the NPA provides a set of national priorities, each with a list of national policies that will contribute towards its realization.

The first pillar of the NPA is focused on achieving political and economic independence, which is considered a prerequisite to comprehensive social and economic development. Under the first pillar, three national priorities are proposed. First, ending the occupation through mobilizing national and international support. Second, achieving national unity through strengthening the legal, institutional, political and economic linkages between the different Palestinian communities in Palestine and abroad. Finally, strengthening Palestine's international status through broadening participation in international organizations and expanding bilateral relations.

The second pillar focuses on government reform. The NPA aims to build on previous efforts by implementing the next generation of administrative reforms, designed to reshape and institutionalise the way in which the Government delivers services. Under the second pillar, the agenda identifies two national priorities. First, developing citizen-centered government capabilities through restructuring and empowering local government and improving the quality of services provided to citizens, especially in "Area C" and East Jerusalem. Second, improving government effectiveness through strengthening accountability and transparency, implementing effective and efficient public financial management through strengthening macroeconomic/fiscal policy, public debt management and procurement, enhancing tax collection, and reforming the public-sector pension system.

The third pillar of the NPA focuses on sustainable development and identifies five national priorities. First, achieving economic independence through developing productive sectors to ensure the prosperity of Palestine's future

1 palaestina.org/uploads/media/NPA_English_Final_Approved_20_2_2017_Printed.pdf

2 Sector-specific and cross-cutting strategies are developed separately through a collaborative effort between relevant ministries and agencies, in consultation with non-governmental stakeholders. Cross-cutting strategies focus on specific cross-sector national enablers (e.g. empowering women or supporting youth).

economy, creating job opportunities, improving the business environment, and promoting Palestinian industry. Second, supporting social justice and the rule of law through alleviating poverty, strengthening social protection, improving access to justice, enforcing gender equality, and empowering youth. Third, providing quality education for all through improving student enrolment and retention with special attention to East Jerusalem, Area C and Gaza, reforming and modernizing educational offerings, and facilitating the transition from education to employment. Fourth, providing quality health care for all through improving healthcare services and strengthening preventive healthcare capacities. Finally, supporting Palestinian communities and enhancing their resilience through ensuring community and national security, and meeting the basic needs of communities by expanding access to basic services.

At the launch event, the United Nations Special Coordinator for the Middle East Peace Process, Nickolay Mladenov, hailed the plan as "smart governance" which was "finalizing an ambitious policy agenda for Palestine that articulates a strong, clear vision for the Palestinian people." He also added that "This is a step in the right direction that tangibly demonstrates the Palestinian commitment to advancing the two-state solution."[3]

Business Cycle Index

In February 2017, the Palestine Monetary Authority Business Cycle Index (PMABCI) for Palestine declined to -12.3 points from -6.1 points in January 2017 and 1.0 in February 2016.[4]

In the West Bank, the index dropped to -5.1 points from -0.4 points in January 2017. The fall was attributed to a perceived slowdown in both production and sales, which in turn led to decreases in most sectoral indices, most significantly in the construction and furniture indices. Furthermore, electricity prices rose by around 5% in the West Bank during February which negatively impacted industrial activity.

In Gaza, the PMABCI dropped to -35.1 points in February 2017 from -21.2 points in January 2017, which is its lowest level since the Gaza war in the summer of 2014. The Gaza index has been negative since August 2013 (except for October 2013) because of its particularly poor economic situation. The electricity crisis in Gaza, which constitutes a major obstacle to industrial enterprises, in addition to the closure of the tunnel trade between Gaza and Egypt, are often cited as the main reasons for the persistent decline of the Gaza index. The monthly deterioration between January and February 2017 was driven by the negative changes in the food and textile and construction sub-sectors.

3 www.maannews.com/Content.aspx?id=775694
4 bit.ly/2mMzQo2

Figure 1: Monthly PMABCI (Points), January 2015-February 2017

Source: PMA

The PMABCI is a monthly index measuring the state of industrial activities in Palestine based on a survey distributed to the owners of around 200 private sector companies from different industrial sub-sectors across the West Bank and Gaza. The survey looks at past, current and expected future performance, focusing on the following indicators: production levels, sales, employment and inventories. The PMABCI was developed by the PMA in late 2012 to provide real-time information about the economy, and thus, to help the PMA in designing appropriate and timely policy guidelines.

Building Licenses

Data recently released by the Palestinian Central Bureau of Statistics (PCBS) shows that a total of 2,592 building licenses were issued in Palestine in Q4 2016, which marks an increase of 7.7% from the previous quarter and a decrease of 3.1% from the corresponding quarter of 2015.[5] Nearly all building licenses (2,536) were issued in the West Bank, while only 56 were issued in Gaza. Of all licenses, 2,382 were issued for residential buildings and 210 for non-residential buildings. The Nablus Governorate recorded the highest number of licenses for residential buildings (672), followed by Hebron (433). Meanwhile, the Hebron Governorate received the most licenses for non-residential buildings (53), followed by Nablus (46).

In 2015 (latest available data), the construction sector accounted for 7.4% of GDP and 15.5% of total employment.[6] Most of the Palestinian workers in Israel and the settlements (63.6%), were employed by the construction sector in 2015.

Hotel Activities

In Q4 2016, a total of 140,000 guests spent 395,000 guest nights in hotels operating in the West Bank (including East

5 www.pcbs.gov.ps/Downloads/book2254.pdf
6 www.pcbs.gov.ps/Downloads/book2194.pdf

Jerusalem).[7] The number of guests marked an increase of 22.3% from the previous quarter and 18.3% from Q4 2015, while the number of guest nights increased by 27.4% and 5.8%, respectively. A third of the total number of guests came from the EU, slightly more than a fifth from Asia, 8.6% from the US and Canada, and 9.1% were Palestinians (internal tourism). Most guest nights were spent in the south of the West Bank (56.3%), followed by East Jerusalem (24.0%), the middle of the West Bank (15.3%) and the north of the West Bank (4.4%). Room occupancy was 22.5%, up by 13.1% from Q3 2016 and by 1.4% from Q4 2015.

Table 1: Hotel Activities Main Indicators in the West Bank and East Jerusalem, Q4 2015, Q3 2016 and Q4 2016

	Q4 2015	Q3 2016	Q4 2016	Change Q4 2015-Q4 2016	Change Q3 2016-Q4 2016
Number of hotels	119	112	125	5.0%	11.6%
Number of rooms	6,856	6,792	7,104	3.6%	4.6%
Number of beds	15,134	14,995	15,534	2.6%	3.6%
Rooms occupancy	20	22	23	13.1%	1.4%
Bed occupancy	22	27	28	23.9%	1.1%
Number of hotel workers	2,930	2,889	2,940	0.3%	1.8%
Number of guests	114,501	118,322	140,001	22.3%	18.3%
Number of guest nights	310,489	373,621	395,417	27.4%	5.8%

Source: PCBS

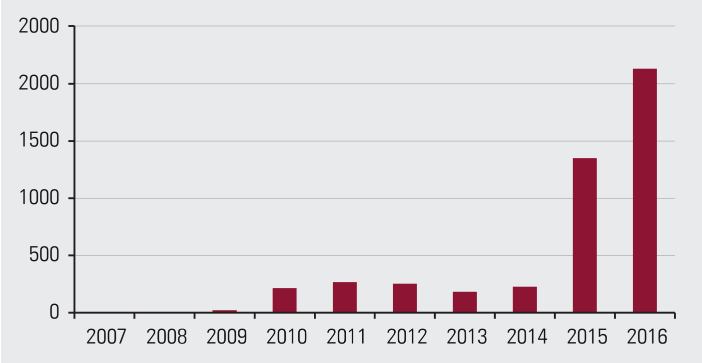
In Q4 2016, there were 125 hotels in the West Bank (including East Jerusalem), a 11.6% increase from 112 hotels in Q3 2016 and a 5% increase from 119 hotels in Q4 2015. Hotels employed 2,940 employees in Q4 2016, of whom 2,248 were male and 692 were female. Of all employees, 675 worked in hotel administration, while 2,265 worked in hotel services.

Exports from Gaza

According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), a total of 2,312 truckloads of commercial goods left Gaza in 2016, through the Karm Abu Salem (Kerem Shalom) crossing.[8]

Of the total number of truckloads leaving Gaza in 2016, around 56% (1,295 truckloads) left to the West Bank, marking a 77% increase from the previous year (730 truckloads in 2015).[9] Meanwhile, exports from Gaza to other markets (including Israel) increased by 35% from 2015 (837 truckloads in 2016 compared to 621 in 2015) and by 515% from 2014 (136 truckloads).[10] About two thirds of the 2016 exports from Gaza (not marketed in the West Bank) were sold in Israel.[11]

Figure 2: Exports from Gaza, 2007-2016 (Truckloads)



Source: OCHA

The 2005 Agreement on Movement and Access (AMA), signed between the Palestinian National Authority (PNA) and the Government of Israel (GoI), allowed 400 trucks to leave Gaza daily. During 2005 alone, almost 10,000 trucks left Gaza – most of which (around 75%) went to Israel. After June 2007, all movement of goods out of Gaza was prohibited, apart from a limited number of agricultural products approved for export to Europe as part of a Dutch government sponsored project.[12] In December 2010, the GoI began allowing export of non-agricultural products abroad, including light industry products. However, due to difficulties making business connections with foreign companies as well as high transport costs and the negative impact of war on industry, very few non-agricultural products were exported abroad. Between June 2007 and October 2014, a monthly average of 13.5 trucks left Gaza to foreign destinations, just 1% of the monthly average of goods leaving Gaza just prior to the GoI imposed restrictions.

In November 2014, for the first time since 2007, the GoI allowed goods produced in Gaza to be sold in the West Bank. Permission was initially given only for agricultural goods, but later expanded to the textile and furniture industries. In March 2015, the GoI allowed the sale of a few types of agricultural goods from Gaza to the Israeli market, and later expanded the list to include textiles, furniture and scrap metal. Since the easing of the restrictions in 2015, the monthly number of truckloads leaving Gaza has been recovering. In 2016, a monthly average of 177 truckloads left Gaza, compared to 113 in 2015 and just 18 in 2014.

The latest available data shows that 274 truckloads left Gaza for the West Bank during February 2017[13], an increase from 134 in February 2016[14]. Over the same period, the number of truckloads for export rose from 42 (25 to Israel and 17 abroad) to 67 (57 to Israel and 10 abroad).

7 www.pcbs.gov.ps/Downloads/book2255.pdf
8 data.ochaopt.org/gazacrossing/index.aspx?id=5
9 gisha.org/graph/2401?datares=monthly
10 data.ochaopt.org/gazacrossing/index.aspx?id=5
11 gisha.org/graph/2401?datares=monthly
12 gisha.org/graph/2401?datares=monthly
13 data.ochaopt.org/gazacrossing/index.aspx?id=5
14 gisha.org/graph/2401?datares=monthly

Italian-Palestinian Trade

On 19 February, the Union of Palestinian Businessmen Associations and the Federation of Young Italian Businessmen launched the first "Italian-Palestinian Joint Business Forum" (JBF) which was sponsored mainly by the Bank of Palestine.[15, 16] The launch event was initiated by a signing ceremony, followed by technical presentations on business opportunities and incentives for investment in Palestine, and finally business-to-business (B2B) meetings were held between the Italian and Palestinian businessmen. The event was attended by a delegation of Italian businessmen comprised of eleven Italian companies from different sectors, in addition to Palestinian business leaders.

The Forum aims to increase trade and investment flows between Italy and Palestine, in addition to promoting business missions, joint ventures and the exchange of information on business opportunities. The latest available data shows that the value of transactions between Palestine and Italy was about $70.1m, or 1.1% of total Palestinian trade in 2015.[17] Palestine imported $68.8m worth of goods and services from Italy, comprising 1.2% of total Palestinian imports. Palestine's exports to Italy were a mere $1.3m, or 0.1% of the total value of Palestinian exports.

Investment Promotion

On 18 February, the Palestine Investment Promotion Agency (PIPA) conducted its 79th Board of Directors meeting, during which it approved granting incentives to seven projects with a total capital of about $9m. The projects cover three different sectors: industry, agriculture and information technology and are expected to create 427 direct jobs.[18]

The selected projects are in line with PIPA's goals to support the Palestinian Government's vision to facilitate Palestinian exports by increasing the competitiveness of Palestine as a destination for investment and as an export hub for goods and services. Three of the selected projects were chosen based on their ability to export more than 40% of their total output.

PIPA was established in 1998 under the Palestinian Investment Promotion Law as an independent agency with the aim of facilitating investments in Palestine.[19] PIPA's services include facilitating all necessary licenses for investors, offering special investment incentives and providing information related to investment opportunities, expenditure and funding.

February Trading

In February, the Al-Quds index increased by 2.5% from the previous month, reaching 530.3 points on the last day of trading.[20] The index peaked at 537.5 points on 12 February and then witnessed a steady decline throughout the rest of the month. A total of 10.9m shares worth $23.0m were traded, marking a 45.6% and an 11.6% increase in the number and value of traded shares, respectively. Market capitalization reached $3.6bn, rising by 7.0% from the previous month. The banking and financial services sector witnessed the highest increase (5.0%), while industry faced the largest drop (0.4%).

During 2016, the net profits of PEX listed companies increased by 7% to $287m.[21] Preliminary financial results showed that 39 of the 48 listed companies achieved a net profit of $297m, while total losses among the seven lowest performing companies declined by 20% compared to 2015, reaching $10m (from $12.5m in 2015). Two companies did not disclose their results.

In related news, Sanad Construction Industries Company, the Palestine Investment Fund (PIF)'s subsidiary in the construction industries sector[22], successfully used PEX's new electronic IPO system "IKTITAB" for its recent IPO.[23] The company offered 6m shares in an initial public offering, raising its authorized capital to $66m. On its first day of trading, Sanad shares closed at $2.48, raising the company market capitalization to $164m.

15 www.alquds.com/articles/1487579956797962700/
16 bit.ly/2m4oEOR
17 www.pcbs.gov.ps/Downloads/book2216.pdf
18 www.pipa.ps/page.php?id=270ca5y2559141Y270ca5
19 www.pipa.ps/page.php?id=1dfadey1964766Y1dfade
20 www.pex.ps/PSEWebSite/publications/PEXIssue83February2017.pdf
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23 www.pex.ps/PSEWebSite/NEWS/22022017-7.docx

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