

PALESTINIAN ECONOMIC BULLETIN

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Main reports

As part of a series on Palestine's industrial parks and special economic zones, this issue presents an interview with Palestinian Industrial Estates and Free Zones Authority (PIEFZA) CEO Dr. Ali Shaath and BMIP's Operations Director Mr. Taher Danoun.

Mr Suleiman al-Zuhairi, Deputy Minister of Communications and Information Technology, is liaising with the Office of the Quartet (OQ) and other international organisations to respond to the expansion of Israeli Cellular Towers in the West Bank.

Donors respond to US Government funding cuts to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) by pledging additional support.

The Al-Quds index remained stable during August 2018, with a minor drop of 0.02%, reaching 536.9 points on the last day of trading.

National Strategy for Financial Inclusion

On 29 August 2018, the Technical Committee for Financial Inclusion (TCFI), a sub-group of the National Committee for Financial Inclusion (NCFI), held its first meeting at the headquarters of the Palestine Capital Market Authority (PCMA) in Ramallah.¹ The NCFI, which is chaired jointly by the PCMA and the Palestine Monetary Authority (PMA), established the TCFI in May 2018 to supervise, evaluate and report on the development of a National Strategy for Financial Inclusion. According to the PMA, the National Strategy will aim to enhance the financial capabilities of target segments in society with a special focus on women and youth, improve access to finance for the Micro, Small and Medium Enterprises (MSMEs) sector, provide affordable products and services that meet the needs of the target segments and minimise the number of financial operations conducted in the informal sector.²

During the meeting, the TCFI presented a proposal for the National Strategy and discussed the steps required for its implementation. The National Strategy proposal was developed following survey-based research jointly conducted by the Palestinian Central Bureau of Statistics (PCBS) and the Palestine Economic Policy Research Institute (MAS) in 2015.³ According to that research, Palestine suffers from a low financial inclusion rate; with only 36.4% of the adult population in Palestine in 2015 using at least one main financial service. The research also demonstrates that the financial inclusion rate is particularly low among women (only 15.4% of adult women financially included compared to 42.1% of adult men), youth (12.9% of those aged 18-24 years old) and low-income households (12% among those earning less than NIS 2000 a month). The key goal of the National Strategy is to raise the overall financial inclusion to a minimum of 50% by the end of 2025.

According to more recent data published by the World Bank Group (WBG) in 2017, Palestine falls behind both internationally and regionally when it comes to financial inclusion.⁴ In 2017, 69% of adults globally had an account (individual or jointly owned account either at a financial institution or through a mobile money provider).⁵ In Palestine, only 25% of adults held an account in 2017, which is lower than other countries in the region such as Israel (92.8%), Lebanon (44.8%), Jordan (42.5%) and Egypt (32.8%).

1 www.pma.ps/Default.aspx?tabid=343&ArtMID=957&ArticleID=2299&language=ar-EG

2 <http://microfinance-mena.org/news/promoting-robust-inclusive-financial-ecosystem-palestine/>

3 <https://bit.ly/2NP6oLo>

4 https://globalfindex.worldbank.org/sites/globalfindex/files/2018-04/2017%20Findex%20full%20report_0.pdf

5 The 2017 Global Findex database defines account ownership as having an individual or jointly owned account either at a financial institution or through a mobile money provider.

How does this initiative relate to economic development in Palestine?

The overall objective of BMIP is to support and contribute to the growth of the Palestinian economy in a sustainable way, to create new jobs, provide high quality professional training and contribute to the overall welfare of the local residents through the services provided by BMIP. The industrial zone currently employs some 300 people in industrial jobs and aims to contribute to economic development through creating partnerships between French and Palestinian enterprises as well as increasing Palestinian exports, produced at BMIP, across the region.

Expansion of Israeli Cellular Towers in the West Bank

On 13 August, the Deputy Minister of Communications and Information Technology, Mr. Suleiman al-Zuhairi, announced that the Ministry will be liaising with the Office of the Quartet (OQ) and other international organisations to respond to the recent approval of a plan by the Gol to complete the installation of cellular antennas in the West Bank.⁹ According to the Gol, the antennas are designed to improve the service of Israeli cellular networks in the West Bank. The antenna installations, for which Israeli mobile network operator PHI Networks won the tendering process, are due to be completed by the beginning of next year.¹⁰

According to the WBG, Palestinian operators do not only suffer from numerous restrictions, such as on imports of Information and Communication Technology (ICT) equipment and infrastructure maintenance, but also incur heavy losses due to competition from Israeli operators deemed to be unfair by the WBG. The WBG estimates that Israeli operators may capture up to 30% of the West Bank market. As per the latest available data for the period 2013-2015, the WBG put total revenue loss for Palestinian mobile operators at between \$436 to \$1,150m, with the loss directly related to the delaying of 3G estimated at between \$339-742m. During the same period, the fiscal loss for the PNA resulting from the reduction in the Value-Added Tax (VAT) revenues was estimated at between \$70-184m.¹¹

Donors Respond to the Shortfall of Aid to Palestine

Following the US Government's decision to cut its funding to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the

European Union and its member states, in addition to many others in the international community, including many Arab states, have pledged their support to the continuity of UNRWA's work.¹²

On 1 September, the Government of Germany pledged to increase its funding to UNRWA beyond the \$94m in funds that it has already contributed to the Agency this year. The German Foreign Minister, Mr. Heiko Maas, announced that the increase in funding will be significant but did not disclose the amount. He also urged the EU and other states to contribute to UNRWA, clarifying that the additional funds would not cover the \$217m deficit caused by the withdrawal of funding by the US.¹³

In related news, on 28 August, the Government of Japan announced its contribution of \$5.4m to the Agency's Gaza food assistance programme for the seventh consecutive year. Japan's contribution will benefit nearly 100,000 Palestinian refugees in Gaza during 2018-2019 who will receive basic food supplies. Japan's new donation follows a \$10m contribution to UNRWA in May 2018, which was in support of the Agency's emergency operations in Syria, Lebanon and Jordan.¹⁴

August Trading

The Al-Quds index remained stable during August 2018, with a minor drop of 0.02%, reaching 536.9 points on the last day of trading. The index started the month with a positive trend, peaking at 546.7 points in the second week of August, however, it witnessed a reversal for the rest of the month. A total of 13.6m shares worth \$18.7m were traded during August 2018, marking a 6.5% increase in the number and a 22.2% decrease in the value of traded shares compared to July 2018. The insurance sector witnessed the highest increase (10.2%), building on the profits reported in the sector throughout the first half of 2018, while the banking and financial services sector experienced the highest decrease (0.7%).

In related news, 38 of the 48 listed companies included in the Al Quds index reported a net profit of \$170.7m for the first half of 2018. This constituted a growth in profits of 5.4% compared to H1 2017.¹⁵ Eight companies recorded a loss, and two companies failed to disclose within the set deadline. Aggregate net profit across the index amounted to \$166.7m, an increase of 6.1% compared to the same period in 2017.

¹² <https://bit.ly/2In6Awx/> <https://bit.ly/2N2zKl5>

¹³ www.maannews.com/Content.aspx?id=780894

¹⁴ <https://bit.ly/2NHLgaP>

¹⁵ www.pex.ps/PSEWEBSITE/NEWS/FS-Q2-2018-Disclosure-Arabic.pdf

⁹ www.palestineconomy.ps/ar/Article/bc1f3cy12328764Ybc1f3c/

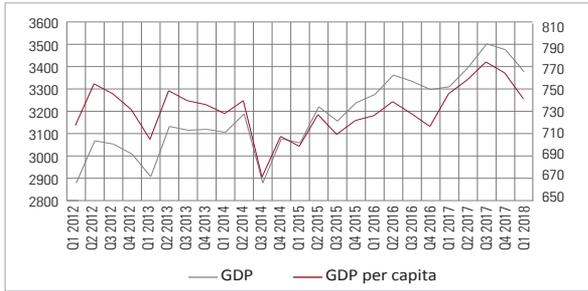
¹⁰ <https://bit.ly/2xKnNuG>

¹¹ <https://bit.ly/2C9YvLI>

Palestine Economic Dashboard

Growth

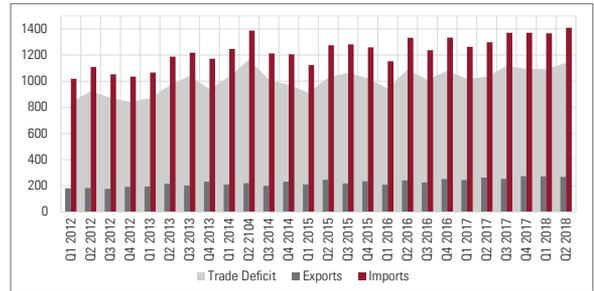
GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2012–Q1 2018



GDP (Q1 2018): \$3,377.6m GDP per capita (Q1 2018): \$746.2
Source: PCBS

Trade

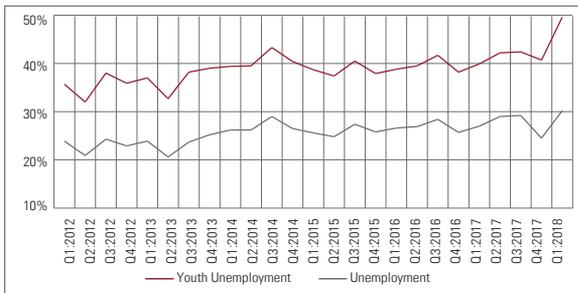
Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2012–Q2 2018



Imports (Q2 2018): \$1,409.2m Exports (Q2 2018): \$268.4m
Trade deficit (Q2 2018): \$1,140.8m Source: PCBS

Unemployment

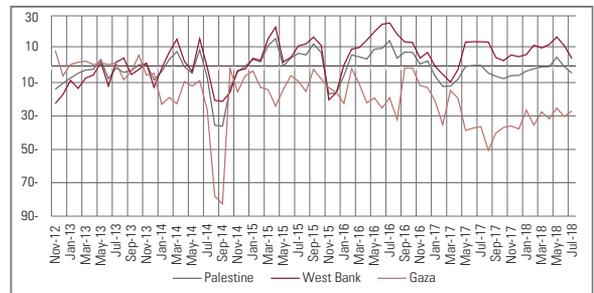
Unemployment and Youth Unemployment in Palestine, Q1 2012–Q2 2018



Unemployment rate (Q2 2018): 32.4% Youth Unemployment rate (Q2 2018): 49.9%
Source: PCBS

Business Cycle Index

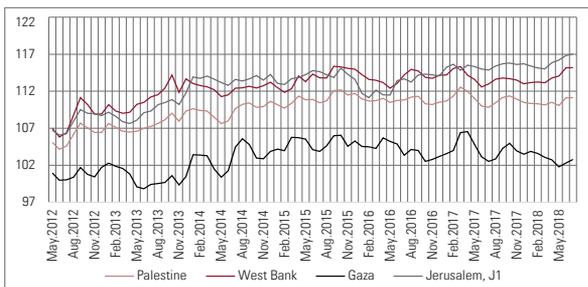
Palestine Monetary Authority Business Cycle Index, February 2014–August 2018



Palestine (June 2018): 3.8 West Bank (June 2018): 7.3
Gaza (June 2018): -30 Source: PMA

Inflation

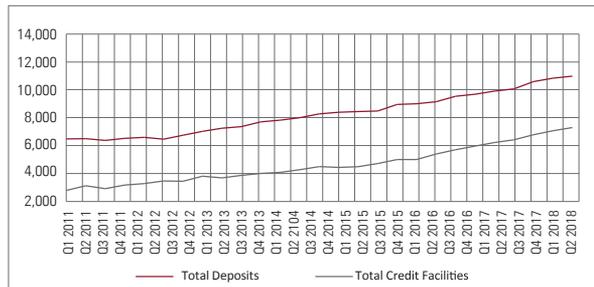
Consumer Price Index (Base year = 2010), August 2013 – August 2018



Palestine (August 2018): 111.12 West Bank (August 2018): 114.82
Gaza (August 2018): 102.08 Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2012–Q2 2018



Total Credit Facilities (Q4 2017): \$8,060m Total Deposits (Q4 2017): \$11,933.1m
Source: PMA

The Portland Trust



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