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Main reports

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Labour Market

The unemployment rate in Palestine fell to 25.9% in 2015 from 26.9% in 2014, according to the latest Labour Force Survey published by the Palestinian Central Bureau of Statistics (PCBS).[1] In the West Bank, unemployment remained broadly unchanged, falling slightly from 17.7% in 2014 to 17.3% in 2015. Unemployment in Gaza also dropped, falling from 43.9% in 2014 to 41% in 2015, partially reflecting some recovery and reconstruction efforts following the 2014 War.

Unemployment remained higher among Palestinian women and young people. Over 39% of Palestinian women were unemployed in 2015 compared to 22.5% of men. Unemployment among 15 to 24 year olds was 40.7% in 2015. In that age group, 36.4% of men and 60.8% of women were unemployed. A report on the state of Palestinian youth, published in 2013 by the Sharek Youth Forum, attributes high unemployment among Palestinian youth to poor economic performance in the West Bank and Gaza, gender inequality, exclusion from entrepreneurial opportunity, ineffective links between education and training and the absence of a comprehensive Palestinian policy on youth employment, all conditions that continue to prevail today.[2]

The service sector employed the largest number of wage earners in the Palestinian economy at 36.4% of the labour force, followed by the commerce, hotel, and restaurant sector (20.6%). The agricultural sector employed 8.7% of wage employees in 2015 down from a high of 16.7% in 2006.[3] The decline in agricultural employment over the last ten years may represent a return to a longer-term trend. A 2015 report on the Palestinian agricultural sector by the United Nations Conference on Trade and Development (UNCTAD) states that as a result of the start of the Second Intifada in 2000, the domestic Palestinian agricultural sector assumed the "role of shock absorber" for displaced Palestinian workers. This resulted in an increase in the sector's contribution to total employment and reversing the trend from the early 1960s to the early 1990s when the sector's contribution to employment fell by half.[4]

Table 1: Sectoral Contributions to Total Employment (%)

	2015	2014	Percentage change from 2014 to 2015	Israel and Settlements	Gaza	West Bank
Agriculture, Hunting & Fishing	8.7	10.4	-16.3	8.9	6.6	9.6
Mining, Quarrying & Manufacturing	13	12.6	3.2	13.0	5.9	16.5
Construction	15.5	15.3	1.3	63.6	4.4	11.5
Commerce, Hotels & Restaurants	20.6	20.2	2.0	9.9	20.2	22.9
Transportation, Storage & Communication	5.8	5.4	7.4	1.9	7.4	5.8
Services & Other Branches	36.4	36.1	0.8	2.7	55.5	33.7

Source: PCBS

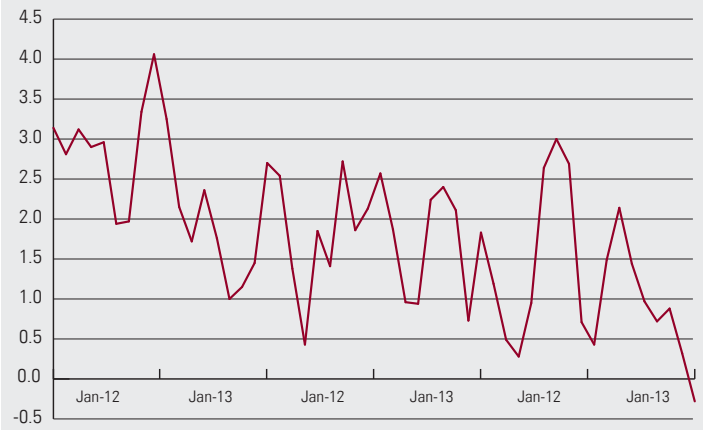
1 www.pcbs.gov.ps/Downloads/book2194.pdf
2 http://sharek.ps/en/1/
3 pcbs.gov.ps/Portals/_Rainbow/Documents/employment-2015-01e.htm
4 http://unctad.org/en/PublicationsLibrary/gdsapp2015d1_en.pdf

The survey reveals that despite the minimum wage legislation that came into effect in 2013, a third of Palestinian wage earners were still being paid below the minimum wage in 2015. As of the end of 2015, 123,000 Palestinian wage employees received less than the monthly minimum wage of NIS 1,450, a level that was set in 2012. The median wage of this group was NIS 857 per month. In Gaza, 61.5% of all employees were paid less than the minimum wage, where their wages averaged NIS 733 per month. Women constituted 18.7% of wage employees in the private sector, while they represented 21.7% of those earning below the minimum wage. According to a 2014 MAS study on wage regulations in the West Bank, a variety of structural issues hinder compliance with the minimum wage law including inadequate monitoring, oversupply of labour and weak deterrence mechanisms.

Prices

Inflation, as measured by the PCBS Consumer Price Index (CPI), was 0.28% in April 2016 compared to the previous month, while prices were 0.28% lower than those in April 2015.[5] The year-on-year drop reflected a 2.06% fall in prices in East Jerusalem, 0.80% in the West Bank and 0.01% in Gaza. While there have been multiple occasions of deflation from month to month, April 2016 marked the first year-on-year deflation in recent years. According to the IMF, inflation will likely remain subdued, on account of low inflation in Israel, no significant increase in international oil prices and relatively weak economic activity.[6]

Figure 1: Year-on-Year Changes in the Monthly CPI, Palestine, 01/2012-04/2016 (%)



Source: PCBS

The increase in the CPI between March and April 2016 came as a result of a 1.35% rise in Gaza accompanied by a 0.56% decline in East Jerusalem and a 0.26% decrease in the West Bank. At the national level, the price of fresh fruit (+19.4%), liquid fuel for cars (+4.32%) and fresh vegetables (+3.97%) increased most markedly, while the prices of dried vegetables (-14.2%), eggs (-9.92%) and fresh poultry (-8.47%) marked the largest decreases.

5 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_CPI042016E.pdf
6 www.imf.org/en/Countries/ResRep/WBG

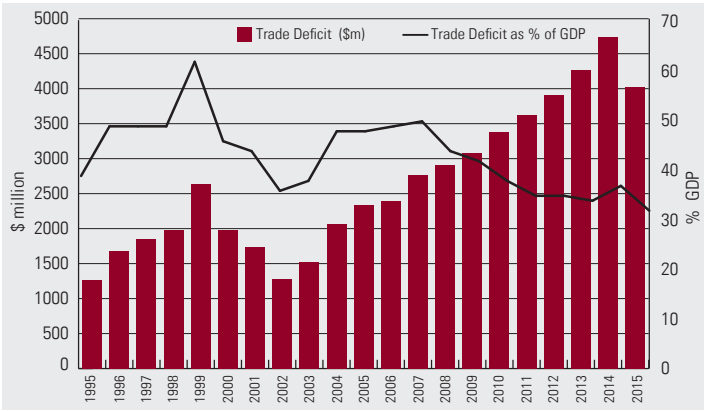
Foreign Trade

In April, Palestine together with Lebanon joined the free trade area between the Arab Mediterranean countries, known as the "Agadir Agreement."[7] This free trade agreement, signed in 2004, established a free trade area between Morocco, Jordan, Tunisia and Egypt in accordance with the provisions of the General Agreement on Tariffs and Trade (GATT) of 1994.[8] The purpose of the free trade area is to develop economic activity, support employment, increase productivity and improve living standards within the member states.[9] The agreement stipulates trade liberalisation with regards to industrial, agricultural and processed agricultural products, while trade in services remains governed by the schedules of commitment under the World Trade Organization (WTO). The Agadir Agreement could have a significant impact on Palestinian trade. When considering trade with countries other than Israel (the main trade partner of Palestine), trade with these five countries accounted for over 40% of Palestinian exports and 9% of imports in 2014.[10]

In related news, in the first quarter of 2016, Palestinian exports of goods decreased by 1.4% compared to the first quarter of 2015.[11] Over the same period, imports of goods rose by 2.6%. This led to a quarterly increase of 3.5% in the trade deficit.

Palestine has been running a constant sizeable trade deficit in goods from the mid-1990s (Figure 2). The deficit has grown over time because the increase in the value of exports has not kept up with the increase in the value of imports. However, preliminary estimates indicate that the trade deficit as a share of GDP declined by approximately 5 percentage points in 2015 in comparison with 2014, to 31.8%.[12]

Figure 2: Trade Deficit, Palestine, $ Millions and Percentage of GDP



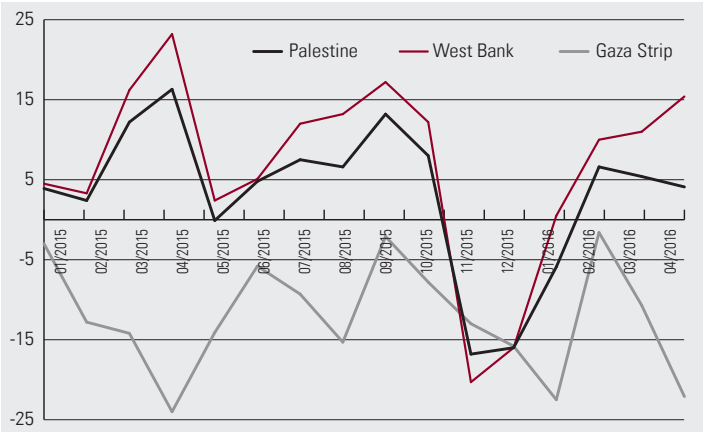
Source: PCBS

7 english.ahram.org.eg/News/198621.aspx
8 www.agadiragreement.org
9 http://bit.ly/1Tz3J0N
10 www.pcbs.gov.ps/Downloads/book2144.pdf
11 http://bit.ly/1WNYdx2, http://bit.ly/1sPrKup and http://bit.ly/10W3O1Y
12 http://bit.ly/22Nwknj

PMA Business Cycle Index

In April, the Palestine Monetary Authority Business Cycle Index (PMABCI) decreased to 4.1 points from 5.4 points in March due to a significant decline in business activity in Gaza.[13] The national level of 4.1 points was also well below the level in April 2015 (16.3 points). PMABCI is a monthly index, which aims to capture the state and evolution of economic activity in Palestine by tracking the performance of the industrial sector, especially fluctuations in production and employment levels.

Figure 3: PMABCI by Region, January 2015-April 2016 (Points)



Source: PMA

In the West Bank the PMABCI increased from 11 points in March 2016 to 15.4 points in April 2016 but remained below the April 2015 level of 23.2 points. The monthly rise occurred as a result of improvements in several sub-sectors: food (from 4.7 points to 5.8 points), furniture (from 2.8 points to 4.8 points), engineering (from -1.5 points to 0.2 points) and paper (from 0.7 points to 0.9 points). Industrial company owners in the West Bank expressed optimism regarding employment in the near future, while their expectations for the levels of production remained stable.

Meanwhile, the PMABCI fell sharply in Gaza from -10.7 points in March 2016 to -22.1 points in April 2016 (comparable to -24 points in April 2015) due to a decline in food production (from 2.1 points to -9.3 points) and less significant drops in the textile, paper, chemicals, plastic and furniture sub-sectors. Industrial company owners in Gaza reported a drop in production and demand and a subsequent rise in inventory. The index has remained below zero for about two and a half years in Gaza, reflecting the poor political and economic conditions resulting from insufficient levels of raw materials, electricity and fuel as well as persistent delays in reconstruction.

Electricity in Gaza

Palestinian officials announced on 27 April that a temporary solution to the ongoing financial disputes between Gaza's Energy Authority and the Palestinian National Authority's (PNA) Ministry of Finance (MoF) had been reached.[14] As a result of the agreement, Gaza will be exempted from paying between 80% to 100% of the fuel tax for the Gaza Power Plant (GPP) to the PNA between 1 May and the end of this summer. Previously, the MoF provided the GPP with full exemption on fuel taxes.[15] However, since January 2016 the MoF has gradually reduced this exemption by about 50%. The increased fuel costs resulted in the Gaza Energy Authority being unable to purchase fuel to run the GPP, leading to the exhaustion of fuel reserves and, on 8 April, the temporary closure of the GPP. This caused electricity blackouts of between 18 and 20 hours per day, up from 12 hours previously. Palestine Liberation Organization (PLO) official Jamil Mizhir highlighted that the renewal of the tax exemption is only a temporary solution to the issue.

In addition to difficulties facing power generation within Gaza due to the fuel tax dispute, recent maintenance work to the lines bringing power from both Israel and Egypt has resulted in further limitation on Gaza's access to electricity.[16] Most recently, on 2 May, Gaza Electricity Distribution Corporation (GEDCo) announced that electricity grids for all parts of Gaza would provide power for six-hour intervals followed by 12 hours without power due to a technical problem with the Egyptian power lines.[17] Egypt, which provides 28 MW, is one of the three sources of electricity for Gaza together with Israel (120 MW) and the Gaza Power Plant (working at 60 MW, or less than half of its capacity due to problems with the supply of fuel).[18] Electricity demand in Gaza has been estimated at 450 MW, which means that on average, only 46% of the demand is supplied. After the necessary repairs, electricity grids in Gaza should return to operating eight hours on, eight hours off. As a temporary solution, a second power generation in the GPP was made operational.[19]

The United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) has highlighted the impact of these further disruptions to electricity supply in Gaza on the delivery of basic services and already vulnerable livelihoods. Both service providers and households have resorted to backup generators, which are particularly unreliable due to dependence on imported diesel fuel and unaffordable spare parts. A policy paper by Pal-Think for Strategic Studies, a Palestinian Gaza-based research body, estimates that the ongoing electricity crisis in Gaza has a significant impact on the economy as only 25% of total available electricity is used for economic activities.[20] Many factories and industrial companies have stopped

13 http://bit.ly/1TW2rMU

14 www.maannews.com/Content.aspx?id=771313
15 http://bit.ly/1Xw7Qzx
16 www.maannews.com/Content.aspx?id=771365
17 www.maannews.com/Content.aspx?id=771365
18 http://bit.ly/1TxIQZf
19 www.maannews.com/Content.aspx?id=771521
20 http://bit.ly/1OMIZjV

working entirely or partially due to insufficient electricity supply.

Water Bottling Plant

In May, Baha' Al-Dana, Head of the Sales Department at Al-Juneidi Food Industries, announced the company's plans for establishing a water bottling plant in Palestine. Al-Dana stated that the plant would use the natural water springs in the Hebron area as the main source of water. The water bottling plant is estimated to cost NIS 20m (around $5m) and will employ 100 workers.[21] The plant is part of the company's strategy to increase the market share of its bottled water line, "Vivian". The plant, expected to be the largest of its kind in Palestine, could help alleviate the unemployment issues in the Hebron governorate. Hebron's unemployment rate, at 19.6%, remains second only to Ramallah (19.7%) as the highest in the West Bank.[22]

Ban on the Import of Cement into Gaza

Dozens of truckloads of cement entered into Gaza on 23 May, following a near-45-day ban imposed by Israel on the entry of cement.[23] Since 3 April 2016, the Israeli authorities have prevented the import of cement into Gaza for the private sector, following allegations that a substantial amount had been diverted from its intended legitimate beneficiaries.[24]

Prior to the recent restrictions, since October 2015 an average of 75,000 tonnes per month of controlled cement entered Gaza for the private sector through Karm Abu Salem (Kerem Shalom) crossing, primarily to address the house repair and reconstruction needs for over 171,000 units which were damaged or destroyed during the 2014 Gaza war. After the war, the import of cement into Gaza for the private sector resumed in October 2014 as part of the Gaza Reconstruction Mechanism (GRM), after a ban imposed in June 2007. According to the Palestinian Contractors Union, the current shortage of cement is disrupting the jobs of 40,000 people working in the construction sector in Gaza. Furthermore, the ban on the import of cement into Gaza for the private sector has resulted in scarcity and price increases, according to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA).[25]

Roundtable on Regional Development

On 27 April MAS hosted a roundtable discussion on the strategies and prospects for regional development in Palestine. The discussion was in response to the decision made by the Cabinet of Ministers on 26 January 2016 to form an ad hoc committee to study the proposal to reorganise the Palestinian territory within "development regions" which was first suggested by the PNA in 2008.[26] The reform under consideration is the reorganisation of the Palestinian territory into four administrative and developmental regions rather than the 16 existing governorates. These proposed new regions would be Nablus (north), Jerusalem (central), Hebron (south) and Gaza (coastal). The regions would be empowered to organise and implement developmental plans that suit their specific socio-economic needs, while replacing the traditional governorate-based system. Their geographical and administrative structure would be designed to reduce the administrative costs of centralisation, increase the efficiency of policy implementation and reduce socio-economic discrepancies both across and within individual regions. This proposal is set to be deliberated over the upcoming months.

The roundtable was attended by stakeholders from the public and private sectors and civil society. Speakers included Dr Hussein Al-Araj, Minister of Local Government; Dr Samih Al-Abed, former Minister of Public Works and Housing; and Dr Nabeel Kassis, MAS Director General.

Monthly Trading

The Al-Quds index declined by 1.1%, closing at 500.94 points on the last day of trading in April. During the month, a total of 32.4m shares worth $51.3m were traded in 20 sessions. These figures mark an increase of 79% in the number of traded shares and 5.8% in the value of traded shares from the previous month.

21 maannews.net/Content.aspx?id=845390
22 www.pcbs.gov.ps/Downloads/book2194.pdf
23 www.maannews.com/Content.aspx?id=771606
24 http://bit.ly/1PQrMFg
25 http://bit.ly/1s9e5gS
26 www.mas.ps/files/server/20160805145048-1.pdf

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