



State of Palestine

**Palestinian Central
Bureau of Statistics**

**Palestine Monetary
Authority**

Foreign Investment Survey of Resident Enterprises in Palestine, 2016 - Preliminary Results

November, 2017

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Introduction

The Foreign Investment Survey is considered to be the primary tool for collecting data about the International Investment Position (IIP), it collects details about the flows and stocks of foreign investments, using special forms. The IIP is an account which records the total balance of foreign financial assets and liabilities of the economy. Changes in IIP are categorized in two levels: the first differentiates between assets and liabilities and the difference represents the net IIP. The second level focuses on the division of assets and liabilities on a functional basis that is fully consistent with the basic elements of financial account in the balance of payments, in addition to changes between stocks at the beginning and end of the period. This may include changes in prices, currency exchange rates, or a quantitative change resulting from sudden profit or loss as a result of natural disasters or war. The Foreign Investment Survey was conducted in accordance with recent international recommendations, taking into account the unique circumstances of Palestine.

The Palestinian Central Bureau of Statistics and Palestine Monetary Authority are pleased to issue the Seventh edition of the Foreign Investment Survey report of Resident Enterprises in Palestine for 2016.

The first chapter of the report covers the concepts and definitions used in the report, in addition to the classifications used. The second chapter details the main results of the survey. The third chapter describes the methodology used in the implementation of this survey. Furthermore, the fourth chapter describes the measures implemented to ensure the quality control of data. The report also comprises detailed tables on the most important results of the survey on a national level.

The results of the Foreign Investment Survey constitute the basic pillar for the compilation of the Palestine International Investment Position (IIP) and for statistics on gross external debt for Palestine. PCBS hopes that the results of the survey will provide statistical evidence about foreign investments in terms of type, economic activity, and country of investment, and will meet the needs of both the public and private sectors for such statistical data.

Ola Awad
President of PCBS

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November, 2017

Chapter One

Terms, Indicators and Classifications

1.1 Terms and Indicators

The main terms and indicators used in this survey are:

Residency:

It is defined in economic, and not legal terms. The main criterion to determine residence of an entity is center of economic interest. Persons are considered residents of the country where they live for at least one year. Exceptions to this rule are embassy staff (but for locally employed people who are residents of the country where they live), patients who are treated abroad and students who live abroad even when their stay exceeds one year.

Institutional unit-enterprise:

It is an economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities, and in transactions with other entities.

External Assets:

The stocks invested abroad by residents in Palestine (individuals or enterprises).

Foreign Liabilities:

The stocks of non-residents (individuals or enterprises) invested in enterprises located in Palestine.

Direct Investment Enterprises:

An incorporated or unincorporated enterprise in which a foreign investor owns 10 percent or more of the ordinary shares or voting power for an incorporated enterprise, or the equivalent for an unincorporated enterprise.

Foreign Direct Investment:

This category includes investment over which the owner exercises control. In practice, the distinguishing criterion for inclusion in this category is that the owner should hold at least 10 percent of the ordinary shares in the company. However, this criterion should be applied somewhat flexibly to ensure that assets over which the owner exercises control are classified as direct investment. Acquisitions and disposals of land –other than when foreign embassies are involved– are also included.

Portfolio Investment:

Is a residual category for transactions in shares, bonds, bills, notes, money market instruments and financial derivatives. It is residual because these instruments are also included under direct investment and reserve assets. Portfolio investment is divided into two main categories: equity and debt. Shares are equity investment and the remaining instruments are debt investment.

Other Foreign Investments:

Under other investments are included all transactions in financial assets and liabilities, which are not classified under any of the three other broad categories. The most important of these are currency, deposits and loans (including trade credits).

Reserve Assets:

Are assets that must be controllable by the Monetary Authority, They must be accessible to the Monetary Authority at relatively short notice for balance of payments purposes, and they must be denominated in a convertible currency.

1.2 Classifications

The classifications adopted and used by PCBS in the process of collection and processing of statistical data, according to international standards. They include the **International Standard Industrial Classification of All Economic Activities (ISIC-4)** issued by the United Nations. In addition to **Balance of Payments and International Investment Position Manual 5th edition (BPM-5)** issued by International Monetary Fund.

Chapter Two

Main Findings

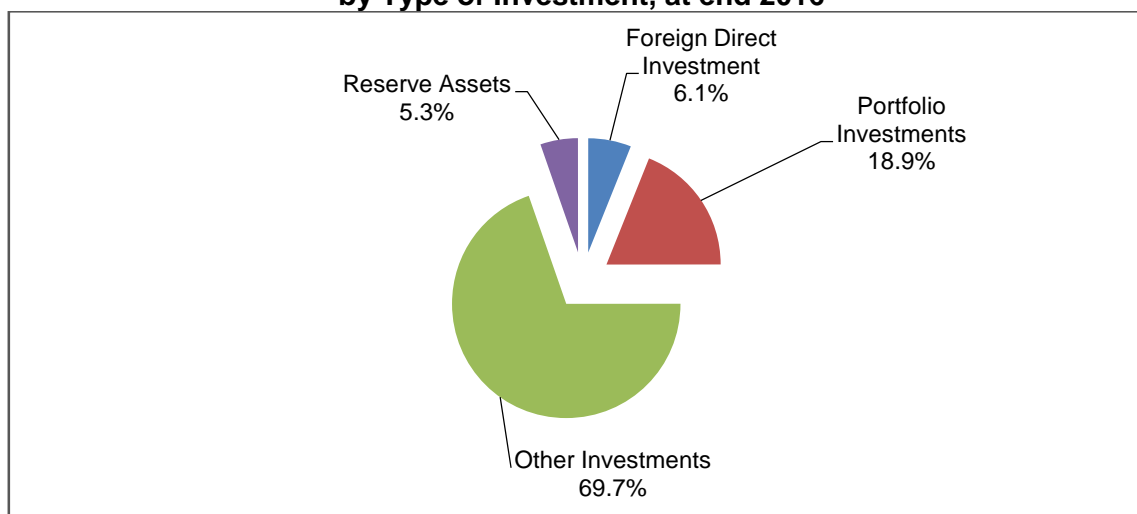
The Foreign Investment Survey of resident enterprises in Palestine for 2016 has revealed important results for researchers, academics, and decision makers. The results indicated that external investments by resident enterprises in Palestine were greater than investments by non-residents in resident enterprises in Palestine at the end of 2016.

The main findings of the survey are as follows:

- The total stock of resident enterprises in Palestine investments abroad (assets) amounted to USD 5,879 million at the end of 2016.
- The total foreign investment stock in resident enterprises in Palestine (liabilities) amounted to USD 2,925 million at the end of 2016.

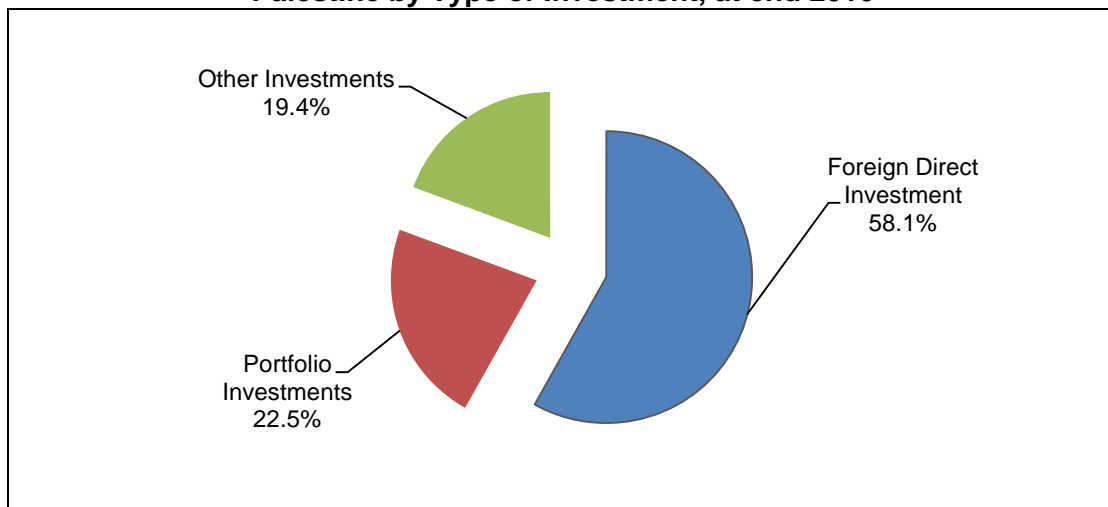
With regard to the distribution of assets, foreign direct investment (FDI) abroad amounted to USD 357 million, at 6.1% of total assets; portfolio investments abroad amounted to USD 1,112 million, at 18.9% of total assets; other investments abroad amounted to USD 4,097 million, at 69.7% of total assets; and the stock of reserve assets for the PMA amounted to USD 313 million, at 5.3% of total assets at the end of 2016.

Percentage Distribution of External Assets Stocks of Resident Enterprises in Palestine by Type of Investment, at end 2016



With regard to the distribution of liabilities, foreign direct investment (FDI) amounted to USD 1,701 million, at 58.1% of total liabilities; portfolio investments were USD 658 million, at 22.5% of total liabilities; while other investments totaled USD 566 million, at 19.4% of total liabilities at the end of 2016.

Percentage Distribution of Foreign Liabilities Stocks in Resident Enterprises in Palestine by Type of Investment, at end 2016



The results show that 60.9% of foreign direct investment (FDI) in resident enterprises in Palestine is concentrated in the financial intermediation sector, while investment from Jordan contributed 79.9% of total stock of FDI in resident enterprises in Palestine.

The results also show that 49% of total portfolio investments in resident enterprises in Palestine is concentrated in the financial intermediation sector, while investments from Jordan contributed 48.6% of the total stock of Portfolio investments in resident enterprises in Palestine.

Chapter Three

Methodology

This chapter describes the survey's objectives, questionnaire, frame and sampling, together with field-work operations, and data processing.

3.1 Survey Objectives

The Foreign Investment Survey of resident enterprises in Palestine for 2016 aims to provide indicators about:

1. Stocks of foreign direct investments and portfolio investments in resident enterprises in Palestine and its distribution by economic activity and country.
2. Stocks of direct investments and portfolio investments abroad.
3. Stocks of other foreign investments in resident enterprises in Palestine and abroad.
4. Stocks of reserve assets (for the Palestine Monetary Authority).

3.2 Questionnaire

The questionnaire used in this survey has much in common with other Economic Survey Series questionnaires. The questionnaire design took into account the major economic variables related to investment activities with the rest of the world to meet the requirements used in compiling the international investment position (IIP), and balance of payments (BOP).

3.3 Frame and Sample

The sampling frame included all profit enterprises that perform any economic activity in Palestine, and either have investments from abroad or have investments abroad or both (full coverage).

The sampling frame for the Foreign Investment Survey 2016 comprised two groups: the first group included non-financial enterprises and financial enterprises (other than banks), located in West Bank and Gaza Strip; PCBS carried out the collection of relevant data pertaining to these enterprises. The second group included banks in West Bank and Gaza Strip, and the Palestine Monetary Authority conducted data collection from banks. The total sample size of the enterprises in the West Bank and Gaza Strip was 122 (15 banks, and 107 enterprises other than banks).

3.4 Field Work Operations

3.4.1 Training and Hiring

- A specialized field work team with a background in economics was selected and trained theoretically and practically on survey's questionnaire.
- The field work team was examined at the end of the training course.

3.4.2 Data Collection

Data was collected by trained fieldworkers through personal interviews with the owners of the enterprises. The collected data should be obtained from the financial reports of these enterprises.

3.4.3 Field Editing and Supervising

- The field work representative in the project technical committee provided the project management team with daily reports about completeness and response rates.

- Field work visits were made on a regular basis by both field work representative and project management staff to monitor data collection process in all governorates. Completed questionnaires were reviewed and corrected if necessary and comments and notes were directed to the team accordingly.

3.5 Data Processing

To ensure the quality and consistency of data, a set of procedures were implemented:

- A set of validation rules were applied to the data entry program to check the accuracy and consistency of data.
- The program was tested by entering a number of questionnaires that include incorrect data. The data entry program was checked prior to data collection to ensure that it can be used correctly .
- Well-trained data entry personnel were selected and trained for data entry process.
- Data files received by project management were checked for accuracy and consistency using a prepared Syntax on SPSS.

Chapter Four

Data Quality

4.1 Accuracy of Data

4.1.1 Response Rates

- Non-response rate: 5.1%.
- Response rate: 94.9%.
- Over-coverage rate: 8.4%.

4.1.2 Sampling Errors

The findings of the survey are not affected by sampling errors, because it is a comprehensive survey.

4.1.3 Non-Sampling Errors

These types of errors could appear in one or in all of the survey stages. They are related to respondents, field workers, and data entry personnel. To avoid this type of errors and reduce its impact, a number of procedures were used to enhance the accuracy of data collection and data processing.

4.2 Comparability of Data

We can make comparisons of survey data over time. Additionally, the survey results are comparable with other countries that publish statistics based on the Fifth-edition of the Balance of Payments Manual issued by the International Monetary Fund (IMF, as the survey was conducted according to the recommendations and standards of this manual.

Comparing Main Indicators by year

Indicators	Year (Values in US\$ million)			
	2013	2014	2015	2016
Foreign Direct Investment in Palestine	1,558	1,568	1,573	1,701
Portfolio Investments in Palestine	768	725	821	658
Other Investment In Palestine	612	453	593	566

4.3 Notes on Data

- Foreign Investment Survey for resident enterprises in Palestine 2016 for non-financial and financial enterprises (excluding banks) was conducted by the Palestinian Central Bureau of Statistics (PCBS).
- Data related to liabilities of listed companies in the Palestine Exchange was collected by The Palestinian Central Bureau of Statistics from Palestine Exchange.
- Foreign investment survey for resident banks in Palestine in 2016 was conducted by the Palestine Monetary Authority (PMA).

- **Exchange rates:**

The USD exchange rates of balances were based on those valid at the end of the base year 2016:

- USD / NIS = 3.8397
- USD /JD = 0.7090

Table 1: Main Indicators of the Foreign Investment Survey of Resident Enterprises in Palestine (stocks) at end 2016

(Value in million USD)

Indicator	Stock 2016	Ratio %
Total Assets*	5,879	100
Stocks of Foreign Direct Investment	357	6.1
Stocks of Portfolio Investments	1,112	18.9
<i>of which: Equity securities</i>	101	
<i>of which: Debt securities</i>	1,011	
Stocks of Other Investments:	4,097	69.7
<i>of which: Trade credits</i>	0	
<i>of which: Loans</i>	222	
<i>of which: Currency and deposits</i>	3,875	
<i>of which: Other Assets</i>	0	
Stocks of Reserves Assets	313	5.3
Total Liabilities**	2,925	100
Stocks of Foreign Direct Investment	1,701	58.1
Stocks of Portfolio Investments	658	22.5
<i>of which: Equity securities</i>	658	
<i>of which: Debt securities</i>	0	
Stocks of Other Investments:	566	19.4
<i>of which: Trade credits</i>	3	
<i>of which: Loans</i>	43	
<i>of which: Currency and deposits</i>	496	
<i>of which: Other Liabilities</i>	24	

* Assets are the investments abroad of Resident enterprises in Palestine.

** Liabilities are the foreign investments in Resident enterprises in Palestine

Table 2: Percentage Distribution of Foreign Direct Investment (FDI) in Resident Enterprises in Palestine by Economic Activity at end 2016

Economic Activity	Value (in Million USD)	Ratio %
Financial Intermediation	1,036	%60.9
Services, Transport, Storage, communications & internal trade	568	%33.4
Industry	52	%3.1
Constructions	45	%2.6
Total	1,701	%100

Table 3: Percentage Distribution of Foreign Direct Investment (FDI) in Resident Enterprises in Palestine by Country at end 2016

Country	Value (in Million USD)	Ratio %
Jordan	1,358	%79.9
Qatar	130	%7.6
Egypt	48	%2.8
United States of America	39	%2.3
Cyprus	34	%2.0
United Kingdom	29	%1.7
Other Countries	63	%3.7
Total	1,701	100%

Table 4: Percentage Distribution of Foreign Portfolio Investment in Resident Enterprises in Palestine by Economic Activity at end 2016

Economic Activity	Value (in Million USD)	Ratio %
Financial Intermediation	323	%49.0
Services, Transport, Storage, Communications & Internal Trade	300	%45.6
Industry	26	%4.0
Constructions	9	%1.4
Total	658	%100

Table 5: Percentage Distribution of Foreign Portfolio Investment in Resident Enterprises in Palestine by Country at end 2016

Country	Value (in Million USD)	Ratio %
Jordan	320	%48.6
United Arab Emirates	94	%14.3
Saudi Arabia	57	%8.7
Kuwait	56	%8.5
United States of America	40	%6.1
Qatar	33	%5.0
Other countries	58	8.8%
Total	658	%100