State of Palestine
Palestinian Central Bureau of Statistics

Finance and Insurance Survey, 2018

User's Guide

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Introduction

Economic development, in the form of trade liberalization and bilateral and multilateral economic agreements, is one of the most important producers of financial transactions (money transfers, insurance on goods, banking facilities, and other transactions). Statistics in this field are therefore important to help inform the sector as a whole.

Due to the importance of financial intermediation represented by financial, monetary, and insurance activities, statistical agencies devote special attention to data related to these activities in the production of official statistics.

The Palestinian Central Bureau of Statistics is pleased to issue the documentation booklet of the twenty-three volume of the Finance and Insurance Survey report for 2018 in Palestine**.** The report comprises the survey data for 2018, presented in tables. Enterprises engaged in financial intermediary activities (Palestine Monetary Authority, Banks, Palestine Exchange, stock market brokers, Holding companies, insurance companies. Financial Leasing for the first time. in addition to Money Exchangers.

The results of the economic surveys conducted in various fields constitute the foundations for the compilation of Palestinian National Accounts. It is hoped that they will also meet the various needs and expectations of users in both private and public sectors.

Survey's Objectives

Finance and Insurance survey aims to provide the following indicators:
1. Number of active enterprises by economic activity.
2. Number of employed persons (waged and non-waged) and compensations of waged employees by economic activity.
3. Value of output from main and secondary economic activities by economic activity.
4. Intermediate consumption by economic activity.
5. Value added and its main components by economic activity.
6. Transfers and other payments by economic activity.
7. Fixed assets and GFCF by economic activity.

These indicators will be used:
1. In compiling National Accounts according to SNA 2008.
2. In economic research and analysis.
3. By decision makers, planners and other interested parties.

Concepts and Terms and Definitions

The main terms and indicators used in this survey are:

Institutional Unit:
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.

Economic Activity:
This refers to a process consisting of actions and activities carried out by a certain entity that uses labor, capital, goods and services to produce specific products (goods and services). In addition to that, the main economic activity refers to the main work of the enterprise based on the (ISIC) and that contribute by the large proportion of the value added, whenever more than one activity exists in the enterprise.

Number of Employed Persons (Indicator):
An indicator that measures the number of all employed persons in enterprises of Financial Intermediation Activities.

Compensations of Employees (Indicator):
An indicator that measures the total value of cash and kind wages in enterprises, including social security contributions.

Output:
It is defined as the goods and services produced by an establishment, excluding the value of any goods and services used in an activity for which the establishment does not assume the risk of using the products in production, and excluding the value of goods and services consumed by the same establishment except for goods and services used for capital formation (fixed capital or changes in inventories) or own final consumption.

Intermediate Consumption:
It consists of the value of the goods and services consumed as inputs in a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

Value Added:
Value added is a central concept of production and refers to the value generated by any unit that carries out any productive activity. Gross value added is defined as the value of gross output less the value of intermediate consumption. The net value added is defined as the gross value less the value of fixed capital consumption.

Taxes on Production:
Compulsory cash or in kind payments payable by producers to the general government. it consists of taxes payable on goods and services at production, sale, or exchange and other taxes payable on production by resident producers as a result of carrying out the production process.

Subsidies:
Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services that they produce, sell or import.

Consumption of fixed capital:
It is the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage.

Operating Surplus (Indicator):
Value added minus compensations of employees and net taxes on production minus subsidies and custom fees minus depreciation.

Gross Fixed Capital Formation:
Gross fixed capital formation consists of the value of producers' acquisitions of new and existing products of produced assets less the value of their disposals of fixed assets of the same type.

Financial Intermediation Services Indirectly Measured (FISIM):
It is the difference between the rate paid to banks by borrowers and the reference rate plus the difference between the reference rate and the rate actually paid to depositors.

Portfolio Investment:
It is a set of investments made by financial institutions, insurance companies and divided into two parts: financial investments (stocks, bonds, treasury bills, and other securities), and investments in real assets (real estate, land, precious metals, etc.).

Income from services rendered to others:
This represents income from the exercise of service activities as secondary activities by the enterprises to other bodies, such as the rental of buildings, revenue and income from banking services, financial advisory services, and other services.

Income from commercial activity:
This income relates to the bills of goods circulated for commercial purposes as a secondary activity without going through any processing or manufacturing (except for the disassembling or packaging of goods). They do not include production inputs sold as is without being recorded a production input. The income from commercial activity is the margin generated of the total profit of the trading activity.

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 **System of National Accounts 2008 (SNA'2008)** issued by the United Nations, as well as **Balance of Payments and International Investment Position Manual 6th edition (BPM-6)**.

Survey's 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 insurance and financial activities to meet the requirements used in compiling Palestinian National Accounts and the updates in the latest international manuals (SNA-2008) and (BPM-6).

The questionnaire included the following variables:
1. Number of employed persons and the value of their compensations.
2. Value of output from main and secondary activities.
3. Value of financial investments.
4. Production inputs of goods and services.
5. Transfers and Property income.
6. Taxes on production.
7. Assets and net additions to these assets and the depreciation of these assets during 2018.

Target Population

Finance and Insurance survey covered all enterprises engaged in the activities classified under the tabulation category K according to ISIC-4, including money exchangers. There was full coverage of all enterprises engaged in the relevant activities (except money exchangers), and for money exchangers a sample was selected**.**

Finance and Insurance survey covered all enterprises engaged in the following activities:
1. (6411, 6419, 6492) Banking Sector.
2. (6491) Financial Leasing Sector
3. (6420) Holding Companies Sector
4. (6611, 6612) Stock Market Brokers and Money Exchangers.
5. (6511,6512) Insurance Corporation.
6. (66122) Money Exchangers (sample selected)

Frame and Sample

Finance and Insurance survey covered all enterprises engaged in the following activities: Banking sector (which includes Islamic and Commercial banks and Credit Institutions), Holding Companies Sector, Insurance Corporations Sector, Financial Leasing Sector for the first time and all were census all, (67 institutions). and for money exchangers a sample was selected.

Money Exchangers Sample Design
Target Population
All non-government enterprises engaged in money exchange activity in the state of Palestine during 2018.

Sampling Frame
All money exchanger's enterprises that have been covered in the Establishments Census 2017 and it's update.

Sample Design
The sample of money exchanger's survey is a one-stage stratified systematic random sample in which enterprises were divided into two groups: the first group is all the enterprises with an employment size of 8 employees and more, the second group includes enterprises that are chosen in a systematic random way and employ (1-7) employees.

Sample strata
The population was divided by:
1- Region (North West Bank, Middle West Bank, South West Bank, Gaza strip) and J1 was excluded from the sample.
2- Employment size: large (8 employees and more), medium (3-7 employees), small (1-2 employees).

Sample size
The estimated sample size was 120 exchange enterprises.

Weights Calculation and Estimates

The weight of statistical units (sampling unit) in the sample is defined as the mathematical inverse of the selection probability where the sample of the survey is one-stage stratified systematic random sample. We calculated the weights of enterprises based on the probability of each enterprise (systematic random sample). Weights were adjusted depending on the interview results.

Variance Calculation

For financial intermediation and insurance activities (except money exchangers) the findings of the survey are not affected by sampling errors because it is a comprehensive survey. On the other hand, for money exchanger's activity the findings of the survey may be affected by sampling errors due to use of a sample. This will increase the chance of variances from the actual values obtained from comprehensive enumeration. The variances of the key indicators in the survey were computed and disseminated on Palestine as a whole for reasons related to

sample design and the computation of the variances of the main indicators (number of employed persons, intermediate consumption, output, gross value added, and compensations of employees).

Variance Account for some of the indicators of Palestine, 2018

Variable	Estimate Value		Standard Error	CV	95% Confidence Interval	
	Unit	Value			Lower	Upper
Number of Employed Persons	Number	13,396	1,020.2	7.6	11,379.0	15,413.0
Compensations of Employees	USD 1000	308,768.9	28,273.8	9.2	252,873.4	364,664.3
Output	USD 1000	955,429.0	96,626.4	10.1	764,608.4	1146,656.0
Intermediate Consumption	USD 1000	9277,725.	28,795.6	10.4	221,236.5	335,090.5
Gross Value Added	USD 1000	1677,703.	76,449.9	11.3	526,332.5	828,604.9

Reference Period

The reference period for Finance and Insurance Survey 2018 is (1/1/2018 –31/12/2018).

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. The field work representative in the project technical committee provided the project management team with daily reports about completeness and response rates and field visits were conducted on a regular basis by the project management team to monitor data collection process in all governorates.

Response Rates

Response rates for banking sector activity (PMA. banks and other credit institutions). stock market brokers activity, holding companies activity, financial leasing activity, and insurance activity:
- Response rate = 84.8%
- Non- response rate = 15.2%
- Over-coverage rate = 1.5%

Response rates for money exchanger's activity:

Results of interviews	Number of cases
Completed	97
Completely closed before 2018	5
Completely closed after or during 2018	2
Temporarily closed	1
Has not engaged in any activity in 2018	1
Different economic activity	3
Refused	5
Branch Keeps No Records	4
Different Ownership	1
Other	1
Total	**120**

Response and Non-Response Rates:

Increased inclusion error rate = $\dfrac{\text{Total cases of over coverage}}{\text{Number of cases in original sample}}$ X 100% = 10%

Non-Response Rate = $\dfrac{\text{Total cases of Non-responses}}{\text{Net sample}}$ X 100% = 9.3%

Net sample = original sample – (over coverage cases) = 108
Response Rate = 100% - Non-Response Rate = 90.7%

Data Quality

1. Accuracy of Data

1.1 Sampling Errors
For financial intermediation and insurance activities (except money exchangers) the findings of the survey are not affected by sampling errors because it is a comprehensive survey. On the other hand, for money exchanger's activity the findings of the survey may be affected by sampling errors due to use of a sample. This will increase the chance of variances from the actual values obtained from comprehensive enumeration. The variances of the key indicators in the survey were computed and disseminated on Palestine as a whole for reasons related to sample design and the computation of the variances of the main indicators (number of employed persons, intermediate consumption, output, gross value added, and compensations of employees).

1.2 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.

2. Comparability of Data

The data published in this report are based on (ISIC-4) of economic activities, whereas published reports before 2011 were based on (ISIC-3) of economic activities. As well as the results this year included money exchangers activity for the sixth time, therefore the results of this survey are not comparable with years before 2013 Additionally, FISIM was calculated based on the updates of the System of National Accounts 2008, by using the reference price to calculate the purchase margin and sale margin for each currency (USD, NIS, & JD). Therefore, the results of this survey for this indicator are not comparable with years before 2015. Also financial leasing companies were added to the survey for the first time.

3. Quality Control Measures

3.1 Training and Hiring
- A qualified 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 and the highest scoring ones were chosen.

3.2 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.

3.3 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 visits were conducted on a regular basis by the project management team to monitor data collection process in all governorates.

3.4 Data Processing
To ensure the quality and consistency of data, a number of procedures were implemented:
- A set of validation rules were applied to data entry program to check the consistency and accuracy 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.
- After the process of data entry and data editing, primary tables were prepared. The consistency and accuracy of these tables were checked several times.

Derived Variables

1. **Compensations per wage employee**   = (compensations of employees / no. of wage employees)

2. **Output per wage employee**   = (total output / no. of wage employees)

3. **Value added per wage employee**   = (value added / no. of wage employees)

4. **Value added to output**   = (value added / total output)*100

5. **Compensations to value added**   = (compensations of employees / value added)*100

6. **Consumption of fixed capital to output**   = (Consumption of fixed capital / total output)*100

7. **Total output**   = output from main activity + output from secondary activity

8. **Output from main activity**   = financial output + insurance output

9. **Output from secondary activity**   = income from commercial activity + income from services rendered to others.

10. **Financial output**   = output of commercial and Islamic banks + output of lending corporations + output of holding companies + output of PMA + output of money exchangers + output of PEX and stock market brokers + output of financial leasing companies.

   - **Output of commercial and islamic banks**   = FISIM + commissions + profit from money exchange.

   - **Output of other credit institutions**   = interests receivable + commissions + profit from money exchange.

   - **Output of financial leasing Companies**   = interests receivable + commissions + profit from money exchange.

   - **Output of holding companies**   = total expenses

   - **Output of PMA**   = total expenses

   - **Output of money exchangers**   = Currency purchases margin + Currency sale margin + Received Commissions

   - **Output of PEX and stock market brokers**   = Received Commissions

11. **Insurance Output**

   - Life insurance activities:

Insurance Output = premiums earned - claims due + net income from technical reserves - changes in actuarial reserves for life insurance - gains (losses) on acquisition of distributed policyholders.

- Non-life insurance activities:

Insurance Output = premiums earned - claims due + net income from technical reserves.

12. Operating Surplus = value added – compensations of employees – fees and taxes on production - consumption of fixed capital