

Palestinian Central Bureau of Statistics

Press Release

On the Main Findings of the Survey on the Perception of the Owners/Managers of the Industrial Establishments Towards the Economic Conditions, February 2006

Optimism in the opinion of improving establishments' conditions during short-term and Pessimism in the med-term expectations

Industrial Activity is one of the bases of the economy, since the preliminary estimates for the Gross Domestic Product 2005 indicates that the industrial activity comprises a share of 12.7% of the Gross Domestic Product at constant prices, while its share was 15.7% before the outbreak of Al-Aqsa Intifada. This survey conducted to give an overview on the perception of the owners/managers of the Industrial establishments about the economic conditions. Data collection took place during the period 2-22/3/2005 on a sample composed of 269 establishments, of which 204 in Remaining West Bank and 65 in Gaza Strip. Large Industrial Establishments were chosen, which comprise 70% of the total industrial output.

Overall trend: Continuous decline in the perception of the owners/managers of the industrial establishments towards the economic conditions comparing to January 2005

Levels of optimism in general declined continuously in different indicators during February 2006 compared with January 2005. The percentage of whom are expecting improvement on the establishments situation declined by 21.4% during February 2006 compared with 42.8% during January 2006, in addition to that the percentage of whom are expecting higher employment level declined by 52.3% compared with 63.5% for the same months. At the same time, declining were reported on the perceptions of the managers who expect higher volumes of sales during February 2006 compared with January 2005 as this percentage declined by 43.0%, compared with decreasing in the perception by 39.7% during January 2006.

There were differences on the geographic regions, as the percentage of owner expecting improvements on the situations declined by 30.0% in Remaining West Bank during February 2006 compared with January 2005, while it was increased by 5.0% in Gaza Strip during the same period. Meanwhile, the percentage of owners who expected higher level of employment decreased by 57.7% in Remaining West Bank compared with a decrease by 29.9% in Gaza Strip, the percentage of owners who expected higher volume of sales decreased by 37.2% in Remaining West Bank compared with an decline by 58.9% in Gaza Strip for the same period.

In addition to that, the overall trend for the pessimistic expectations for the coming six months in Remaining West Bank and Gaza Strip reported a significant differences at the level of geographic regions, as the perception of the owners who are expecting improvements on their establishments decreased by 44.6% during February 2006 compared with 23.6% during January 2006 and the percentage of owners expecting higher level of employments decreased by 60.7% compared with 46.8% for the same months. In the same line, the percentage of owners expecting increases in the volume of sales decreased during the next six months by 57.8% during February 2006 compared with a decline by 22.4% during January 2006.

The above indicators indicate a general decline in the optimistic levels on the expectation of having positive improvements on the establishments situations in Remaining West Bank and

in Gaza Strip according to the perceptions of the managers of those establishments compared with their expectations on the beginning of the year 2005.

The Current Situation: Gaza Strip opinions are more optimistic than Remaining West Bank

As for the expectations in the short run for February 2006, 36.7% of the owners/managers of the industrial establishments expect a better situation for their establishments (32.2% in Remaining West Bank and 52.5% in Gaza Strip), against 26.2% expected a worse situation (22.1% in Remaining West Bank and 40.4% in Gaza Strip), while 37.1% expected no changes (45.7% in Remaining West Bank and 7.1% in Gaza Strip).

The main findings of the survey regarding the level of employment were less optimistic, as 17.9% expected increase in employment level (14.3% in Remaining West Bank and 30.0% in Gaza Strip), while 26.6% expected a decline (22.7% in Remaining West Bank, 40.1% in Gaza Strip), and 55.5% expect the same level (63.0% in Remaining West Bank and 29.9% in Gaza Strip).

Regarding the sales volume, 26.0% of the owners/managers of the industrial establishments in Remaining West Bank and Gaza Strip expect higher sales volume (26.3% in Remaining West Bank and 25.1% in Gaza Strip), and 34.0% expect lower sales volume (35.4% in Remaining West Bank and 29.4% in Gaza Strip).

Mid-Term Expectations shows 71.7% of the owners/ managers in Gaza Strip expect better situation for their establishments compared with 34.5% in Remaining West Bank
As for the expectation on the mid term (the next six months), 71.7% of the owners/managers of the industrial establishments in Gaza Strip expect a better situation for their establishment compared with January 2006, against 34.5% in Remaining West Bank. Meanwhile, 22.1% expected a worse situation in Remaining West Bank while it was 25.5% in Gaza Strip, 43.4% and 2.8% expected no changes in Remaining West Bank and Gaza Strip consequently.

The expectations of the owners/managers of the industrial establishments in Gaza Strip were optimistic as 43.3% expected increase in employment level, while 36.8% expected decreasing level of employment, and 19.9% expected the same level. In Remaining West Bank, owners/managers were less optimistic as 17.9% expected increasing employment level and 62.9% expected the same level, and 19.2% expected decreasing level of employment.

Data reveal that 32.8% of the owners/managers of the industrial establishments reported that the volume of sales would increase in the coming six months (31.1% in Remaining West Bank, and 38.8% in Gaza Strip), while 31.2% of them expect a decline in the volume of their sales (34.8% in Remaining West Bank and 18.6% in Gaza Strip).

Summary

First: On the overall trend:

- The percentage of whom is expecting improvements on the establishment's situation declined by 21.4% during February 2006 compared with 42.8% during January 2006 (Base month is January 2005).

- The percentage of whom is expecting higher level of employment declined by 52.3% during February 2006 compared with a decline by 63.5% during January 2006 (Base month is January 2005).
- At the same line, Decreasing were reported on the perceptions of the managers whom is expecting higher volumes of sales as it was decline by 43.0% during February 2006 compared with a decline by 39.7% during January 2006.

Second: The expectations of the owners/ mangers of the industrial establishments were optimistic on the Mid-term period compared to the Short -term expectations, which can appear from the following:

- As for the establishment situation, 42.8% of the owners/ mangers of the industrial establishments expect better situation during the next six month while this percentage was 36.7% for the next month expectations.
- 32.8% of the owners were optimistic in their expectations about the volumes of the sales for the mid-term expectation, meanwhile this percent was 26.0% for the next month.
- 23.5% of the owners were optimistic in their expectations about the increasing the level of employment for the mid-term expectation, meanwhile this percent was 17.9% for the next month.

Third: The mid-term expectations of the owners/ mangers of the industrial establishments were more optimistic for Gaza Strip compared to the expectations of the owners in Remaining West Bank, which can appear from the following:

- 71.7% of the owners were optimistic in their mid-term expectations for the establishment situation in Gaza Strip; meanwhile this percent was 34.5% in Remaining West Bank.
- 38.8% expect increases in the volume of sales over the mid-term expectation in Gaza Strip compared with 31.1% in Remaining West Bank.
- 43.3% of the owners were optimistic in their expectations about increasing the level of employment in Gaza Strip; meanwhile this percent was 17.9% in Remaining West Bank.

Fourth: The expectations of the owners/ mangers of the industrial establishments on the expected sales level stability or decline were different in Gaza Strip compared to the expectations of the owners in Remaining West Bank, which can appear from the following:

- 71.8% of the owners in Gaza Strip reported that the political and security situations and the check points are the main reasons affecting the level of sales, while it was 15.6% in Remaining West Bank.
- 49.0% of the owners/ managers of the industrial establishments in Remaining West Bank reported that the declining in the purchasing power as the main reason affecting the level of sales, while it was 15.6% in Gaza strip.
- 19.4% of the owners/ managers of the industrial establishments in Remaining West Bank reported that the Obstacles in marketing as the main reason affecting the level of sales without any opinions reported that in Gaza strip.
- 12.6% of the owners/ mangers of the industrial establishments in Gaza strip reported that the difficulties in obtaining the needed raw materials as the main reason affecting the sales level while it was 0.1% in Remaining West Bank.