

Macroeconomics Overview

The latest Palestinian economy performance

- **Gross Domestic Product (GDP):** the gross domestic product at constant prices recorded an increase of 3.78% in the year 2013 when recorded an amount of \$7,054.30 million compared to \$6,797.30 million in 2012.
- **GDP per capita:** the GDP per capita at constant prices has increased by 0.75% in the year 2013, to record an amount of \$1,679.30 compared to \$1,691.90 at the end of 2012.
- **Unemployment Rate:** Unemployment rate in Palestine was 25.2 percent for the 4th quarter 2013, while it was 23.7 percent during the 3rd quarter 2013 and 22.9 percent during the 4th quarter 2012. Taking into consideration the unemployment rate was 23.4 percent in 2013, 23.0 percent in 2012, 20.9 percent in 2011, 23.7 percent in 2010, 24.5 percent in 2009, and 26.6 percent for 2008.
- **Inflation in Q4 2013:** inflation rate in Palestine reached 2.0 percent in the fourth quarter of 2013 compared with the fourth quarter of 2012, and 1.0 percent compared with the third quarter of 2013.
- **A deficit in the Current Account in Q4 2013:** the incessant deficit of the Current Account amounted to USD 365.3 million (9.8 percent of the GDP at current prices for the 4th quarter of 2013) with an increase of 44.6 % compared to the previous quarter. The deficit of Current Account was caused mainly by the deficit in the Trade Balance of goods which was USD 1,125.7 million (30.2% of the GDP at current prices) with a decrease of 4.2% compared to the previous quarter.
- **A deficit increase in Net Trade Balance in January 2014:** Exports decreased in January, 2014 by 8.7% compared to December, 2013 while it increased by 10.1% compared to January, 2013 and reached USD 68.6 Million. On the other hand, imports increased in January 2014 by 7.9% compared to December, 2013 and increased by 15.3% compared to January, 2013 and reached USD 419.3 Million. The trade balance which represents the difference between exports and imports showed an increase in trade deficit by 11.9% compared to December, 2013 and increased by 16.4% compared to January 2013 and reached USD 350.7 Million.
- **Producer Price Index:** The overall Producer Price Index (PPI) for Palestine with its base year (2011=100) reached 104.03 in February 2014, as it decreased by 2.19% compared to January 2014.
- **Consumer Price Index:** the overall Consumer Price Index (CPI) for Palestine during February 2014 decreased by 0.21% compared with January 2014 (decreased by 0.23% in the West Bank, and by 0.15% in Jerusalem, and by 0.07% in Gaza Strip).
- **The overall Construction Cost Index:** the Construction Cost Index (CCI) for residential buildings reached 100.37 with an increase of 0.23% in the West Bank during February 2014 compared to January 2014 (base year 2013=100). The Construction Cost Index for residential buildings increased due to the increase in the prices of both groups; raw materials by 0.33%, and rental of equipment by 0.22% during February 2014 compared to previous month.

- **Industrial Production Index:** The overall Quantity of Industrial Production Index (IPI) in Palestine reached 103.04 during February 2014 with a decrease of 5.06% compared to the previous month (January 2014).
- **PMA Business Cycle Indicator (PMABCI) for March 2014:** during March 2014, the PMABCI witnessed an improvement at the national level, increasing from 3.87 in February to around 8.55 this month. This improvement comes as a result of the increase in the West Bank (WB) indicator, despite the deterioration in Gaza Strip's indicator. Also compared to the corresponding month of 2013, the PMABCI, which scored -0.05 then, has improved

PEX Performance in Q1 2014

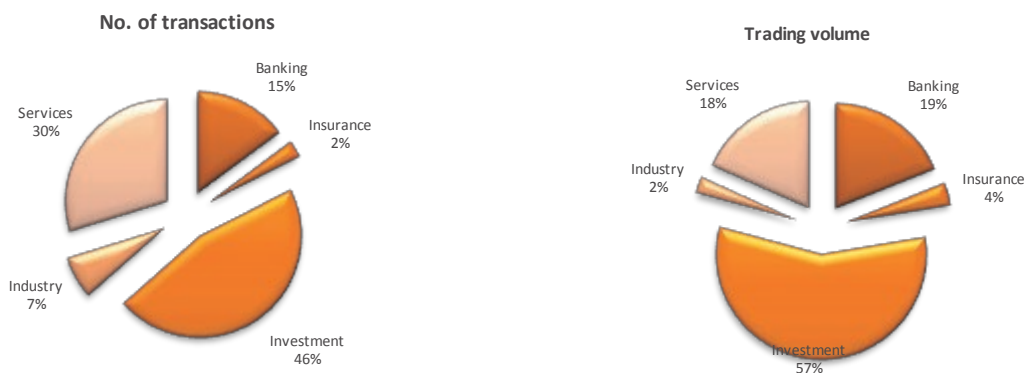
General Performance - Q1 2014 vs. Q1 2013

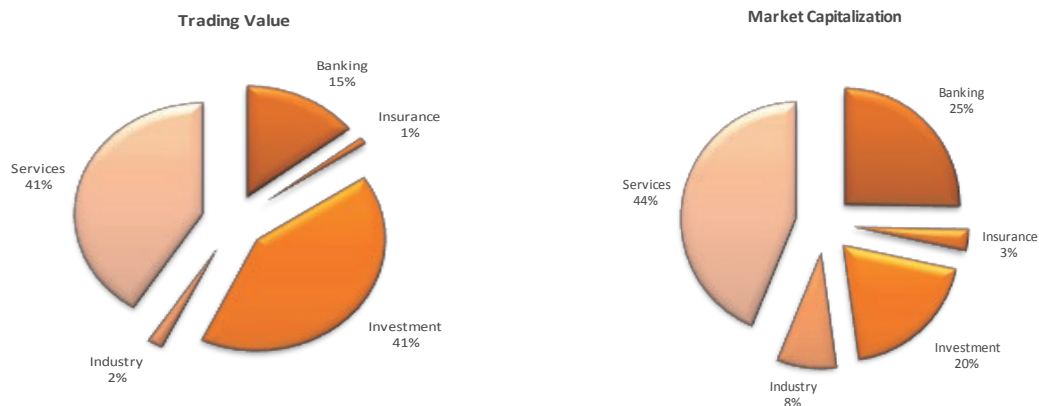
Period	No. of Trading Sessions	Trading Volume	Daily Average Turnover-Volume	Trading Value \$	Daily Average Turnover-Value	No. of transactions	Daily Average Turnover-Transactions	Market Capitalization \$
Q1 2013	59	29,288,726	496,419	50,696,808	859,268	9,246	157	2,821,054,683
Q1 2014	61	76,407,618	1,252,584	166,103,830	2,723,014	17,434	286	3,341,511,339
Δ	3.39%	160.88%	152.32%	227.64%	216.90%	88.56%	82.38%	18.45%

Comparison of Trading Activity - Q1 2014 vs. Q1 2013

Sector	No. of listed companies		No. of transactions		Trading volume		Trading Value \$		Market Capitalization \$	
	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014
Banking & Fin. Services	9	9	2,659	2,591	8,787,635	14,437,910	14,139,960	24,174,917	741,558,534	844,248,239
Insurance	7	7	417	464	3,582,803	2,676,552	2,303,456	1,764,679	99,603,500	102,592,250
Investment	8	9	2,030	8,013	9,939,149	43,368,607	9,114,753	68,862,533	352,373,314	651,211,687
Industry	11	12	965	1,180	1,643,456	1,853,318	2,702,590	3,286,416	214,871,215	280,555,039
Services	13	12	3,175	5,186	5,335,683	14,071,231	22,436,049	68,015,285	1,412,648,120	1,462,904,124
Total	48	49	9,246	17,434	29,288,726	76,407,618	50,696,808	166,103,830	2,821,054,683	3,341,511,339

Sectors Distribution in Q1 2014

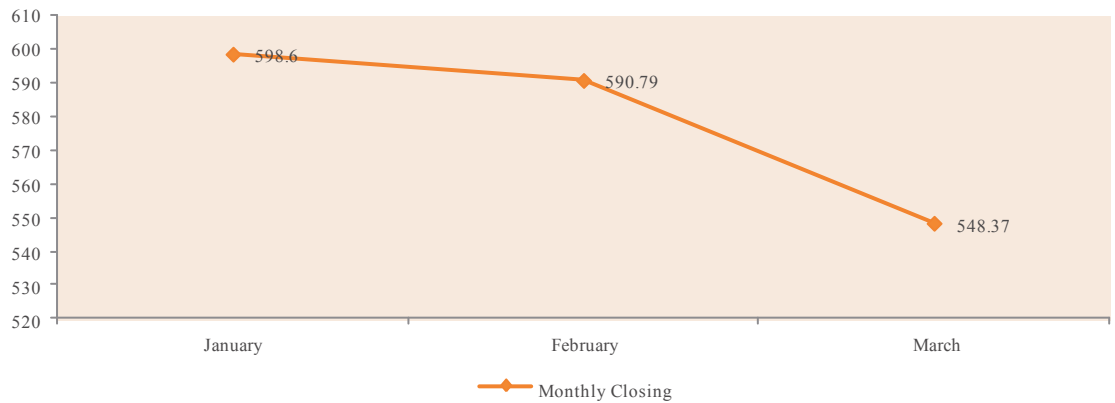




Al Quds Index Constituents as of March 31, 2014; Weights

Sector	Company	Market Capitalization \$	% out of total PEX market cap	% out of total sample market cap
Banking & Financial Services	Bank of Palestine	474,000,000	14.19%	17.02%
	The National Bank	59,000,000	1.77%	2.12%
	Palestine Islamic Bank	69,500,000	2.08%	2.50%
	Arab Islamic Bank	56,000,000	1.68%	2.01%
	Al Quds bank	50,000,000	1.50%	1.80%
	Total Banks	708,500,000	21.20%	25.44%
Industry	Jerusalem Pharmaceuticals	34,120,000	1.02%	1.23%
	Birzeit Pharmaceutical Company	59,168,563	1.77%	2.12%
	Jerusalem Cigarette Company	12,411,846	0.37%	0.45%
	Total Industry	105,700,409	3.16%	3.80%
Insurance	National Insurance Company	41,400,000	1.24%	1.49%
	Total Insurance	41,400,000	1.24%	1.49%
Investment	Palestine Development & Investment Company	432,500,000	12.94%	15.53%
	Palestine Real Estate Investment Company	53,060,452	1.59%	1.91%
	Palestine Industrial Investment Company	54,213,672	1.62%	1.95%
	Total Investment	539,774,124	16.15%	19.39%
Services	Palestine Telecommunications Company	1,047,059,064	31.33%	37.60%
	Wataniya Palestine Mobile Telecommunications	250,260,000	7.49%	8.99%
	Palestine Electric Company	91,800,000	2.75%	3.30%
	Total Services	1,389,119,064	41.57%	49.89%
Total	2,784,493,596	83.33%	100.00%	

Al Quds Index during Q1 2014

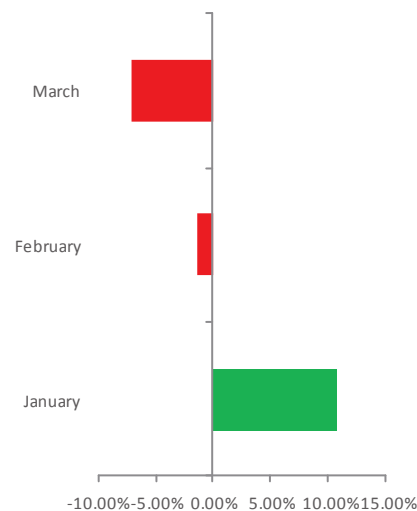


Sectors' Indices Dynamics in Q1 2014

Item	Al-Quds	Banking	Industry	Insurance	Investment	Services
Closing	548.37	122.77	69.34	46.20	30.47	50.59
YTD	1.28%	-1.72%	1.58%	1.49%	19.02%	-3.14%
High Level	603.03	128.89	69.79	46.57	32.09	58.13
Low Level	543.41	122.77	67.80	43.84	26.16	50.59
Discount to high	-9.06%	-4.75%	-0.64%	-0.79%	-5.05%	-12.97%
Premium to low	0.91%	0.00%	2.27%	5.38%	16.48%	0.00%

Al Quds Index Performance in Q1 2014

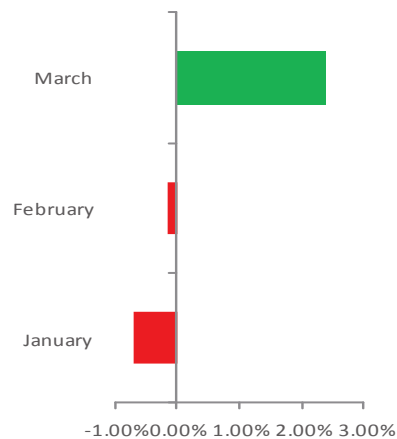
- Al-Quds Index closed at the level of 548.37 in Q1 2014, up by 1.28% compared to its 2013's closing.
- Al-Quds Index constituents' market capitalization hit \$2.78 billion at Q1 2014, accounting for 83.33% of the total PEX market capitalization.
- Al-Quds index touched its low of 543.41 on 02/01/2014 and its high of 603.03 level on 02/02/2014 , recording a discount to high of -9.06% and a premium to low of 0.91%.
- Constituents stocks from the services sector contributed by 49.89% of Al-Quds Index' total sample market capitalization in Q1 2014, while from the banking & financial services sector contributed by 25.44%, followed by the investment, industry, and insurance sectors by 19.39%, 3.80 % and 1.49% respectively.



Sectors' Performance in Q1 2014

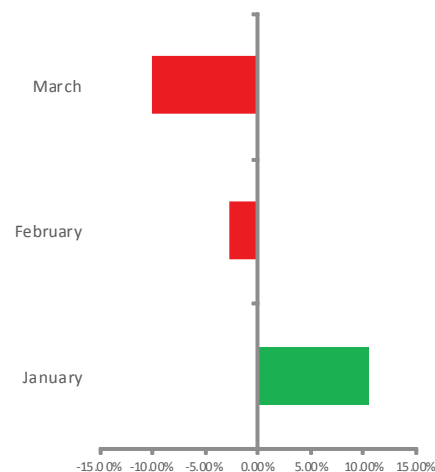
Insurance Sector

- The number of listed insurance companies in the PEX reached 7 in Q1 2014; the same as Q1 2013.
- Insurance Index closed at the level of 46.20 in Q1 2014, up by 1.49% compared to 2013's closing.
- The insurance sector market capitalization increased to \$102.59 million in Q1 2014 from \$99.60 million in Q1 2013, up by 3.00%.
- Trading value of the sector decreased by 23.39% aggregating at \$1.76 million in Q1 2014 from \$2.30 million in Q1 2013.
- The total volume of the sector reached 2.68 million in Q1 2014 from 3.58 million in Q1 2013, down by 25.29%.



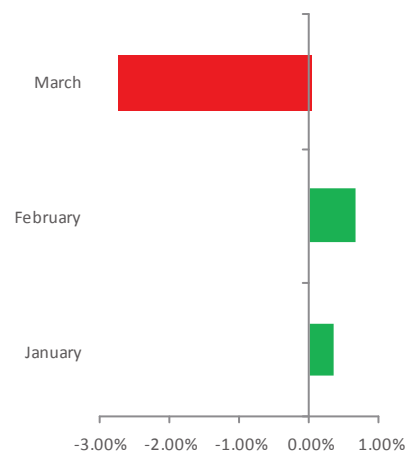
Services Sector

- The number of listed services companies in the PEX reached 12 in Q1 2014, compared to 13 in Q1 2013.
- Services Index closed at the level of 50.59 in Q1 2014, down by 3.14% compared to 2013's closing.
- The services sector market capitalization increased to \$1.46 billion in Q1 2014 from \$1.41 billion in Q1 2013, up by 3.56%
- Trading value of the sector increased by 203.15% hitting \$68.01 million in Q1 2014 from \$22.44 million in Q1 2013.
- The total volume of the sector reached 14.07 million in Q1 2014 from 5.33 million in Q1 2013, up by 163.72%.



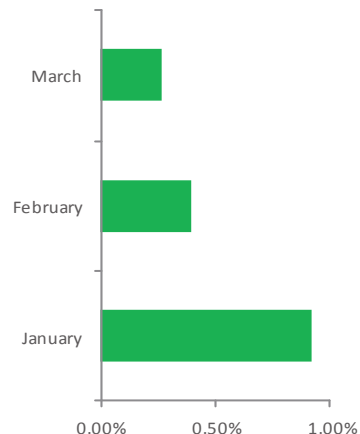
Banking & Financial Services Sector

- The number of listed companies in the banking & financial services sector in the PEX reached 9 in Q1 2014, same as Q1 2013.
- Banking & financial services index closed at the level of 122.77 in Q1 2014, down by 1.72% compared to 2013's closing.
- The banking & financial services sector market capitalization increased to \$844.25 million in Q1 2014 from \$741.56 million, up by 13.85%.
- Trading value of the sector increased by 70.97% hitting \$24.17 million in Q1 2014 from \$14.14 million in Q1 2013.
- The total volume of the sector reached 14.44 million in Q1 2014 from 8.79 million in Q1 2013, up by 64.30%.



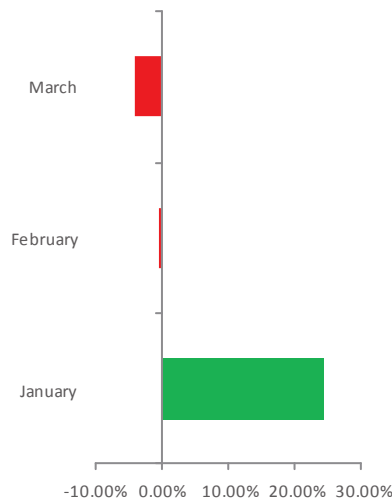
Industry Sector

- The number of listed industrial companies in the PEX reached 12 in Q1 2014 compared to 11 in Q1 2013.
- Industry Index closed at the level of 69.34 in Q1 2014, up by 1.58% compared to 2013's closing.
- The industry sector market capitalization increased to \$280.55 million in Q1 2014 from \$214.87 million in Q1 2013, up by 30.57%.
- Trading value of the sector increased by 21.60% amounting to \$3.29 million in Q1 2014 from \$2.70 million in Q1 2013.
- The total volume of the sector reached 1.85 million in Q1 2014 from 1.64 million in Q1 2013, up by 12.77%.



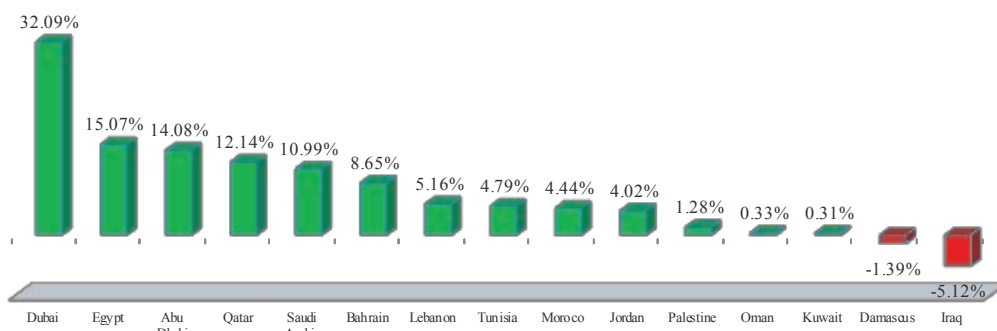
Investment Sector

- The number of listed investment companies in the PEX reached 9 in Q1 2014, compared to 8 in Q1 2013.
- Investment Index closed at the level of 30.47 in Q1 2014, up by 19.02% compared to 2013's closing.
- The investment sector market capitalization increased to \$651.21 million in Q1 2014 from \$352.37 million in Q1 2013, up by 84.81%.
- Trading value of the sector increased by 655.51% settling at \$68.86 million in Q1 2014 from \$9.11 million in Q1 2013.
- The total volume of the sector reached 43.37 million in Q1 2014 from 9.94 million in Q1 2013, up by 336.34%.

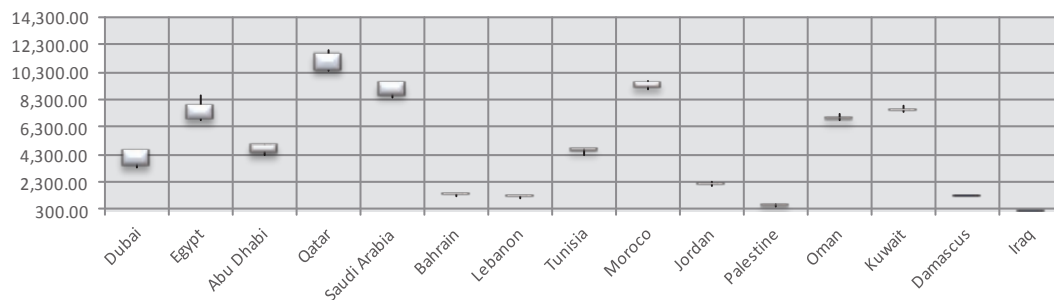


Al Quds Index among the MENA Indices in Q1 2014

Market	Index/ Bloomberg Quote	Market Index				
		Opening	Closing	(%)	High	Low
Dubai	DFMGI:IND	3,369.76	4,451.00	32.09%	4,457.49	3,353.57
Egypt	EGX30:IND	6,782.84	7,805.03	15.07%	8,597.20	6,782.84
Abu Dhabi	ADSMI:IND	4,290.30	4,894.42	14.08%	5,005.08	4,290.09
Qatar	DSM:IND	10,379.59	11,639.79	12.14%	11,916.92	10,377.59
Saudi Arabia	SASEIDX:IND	8,535.60	9,473.71	10.99%	9,474.34	8,535.22
Bahrain	BHSEASI:IND	1,248.86	1,356.91	8.65%	1,403.07	1,244.67
Lebanon	BLOM:IND	1,150.05	1,209.44	5.16%	1233.7	1,150.05
Tunisia	TUSISE:IND	4,381.32	4,591.17	4.79%	4,716.61	4,319.56
Morocco	MOSENEW:IND	9,114.14	9,519.21	4.44%	9,648.36	9,076.28
Jordan	JOSMGNFF:IND	2,065.83	2,148.93	4.02%	2,281.03	2,065.83
Palestine	PASIS:IND	541.45	548.37	1.28%	603.03	541.45
Oman	MSM30:IND	6,834.56	6,856.89	0.33%	7,200.52	6,834.56
Kuwait	KWSEIDX:IND	7,549.52	7,572.81	0.31%	7,871.88	7,383.40
Damascus	DWX:IND	1,249.49	1,232.08	-1.39%	1,249.06	1,211.65
Iraq	ISX:IND	113.15	107.36	-5.12%	113.32	104.27



Japanese Candlesticks Analysis in Q1 2014



Major News & Events in Q1 2014

New Listings

- The share of Arab Palestinian Investment Company was listed in Palestine Stock Exchange PEX on 02/03/2014's session under the symbol APIC using the currency of US Dollars. APIC is one of the major investment holding companies in Palestine, which vary their investments in the fields of industry , distribution and services, and different vital sectors. It owns majority stakes in a group that is made up of nine subsidiary companies namely, Siniora Food Industries, National Aluminum and Profiles, Unipal General Trading Company, Central and West Africa for Commercial Agencies , Medical Supplies & Services , Arab Palestinian Shopping Centers , Palestinian Automotive Company , Sky Advertising, Event Management & PR, and the Arab Palestinian Storage and Cooling.

PEX News

- The Palestine Capital Market Authority (PCMA) became a Member of The International Organization of Securities Commissions (IOSCO); the highest professional body in the field of global regulation and supervision of financial markets on February 21, 2014. The PCMA is now the 124th ordinary member of IOSCO and the 101st signatory to the Multilateral Memorandum of Understanding (MMOU). The admission of the Palestine Capital Market Authority to the IOSCO, specifically to the signatories of the MMOU, has a reflection and a significant positive impact on the Palestinian securities sector, but extends to include the investment environment in Palestine in general, and increases the confidence of investors in listed equities in Palestine Stock Exchange specifically by foreign and international institutional investors. Where this membership is as an international certificate that the Palestinian securities sector is regulated and monitored by the Palestine Capital Market Authority in accordance with international principles and standards required by the IOSCO that abide by all Member States of the organization , which will contribute to enhancing the investment attractiveness of the Palestine Exchange, specifically international investment , where international investors pay great

Companies News

- Ramallah Summer Resorts PLC announced after obtaining the approval of the Palestine Capital Market Authority and the Companies' Controller offering of (388,953) shares of the company's shares for public subscription. The public offer began, starting from Sunday 16/03/2014 and will ends on Tuesday, 08/04/2014. The par value per share offered for subscription is one Jordanian Dinar in addition to a premium of JD 2.25 per share.
- Wataniya Palestine Mobile Telecommunications WATANIYA, signed an agreement with Omnea Telecommunications Company in Jordan to provide international roaming and calls at competitive prices within the so called- one network.
- The National Bank TNB has launched a new program to enable the Jerusalemites to obtain the suitable financing to purchase residential units, expand their existing building, or build new housing units.

- The extraordinary general assembly of Palestine Commercial Bank PCB approved, on its meeting on 19/03/2014, raising the bank's paid up capital to \$40.03 million through offering convertible bonds on the due date for subscription with a total par value of \$10 million with the bank's right of early redemption.
- EMEA Finance Magazine granted Bank of Palestine BOP several rewards, including: the award of the best social responsibility program in the Middle East on Al-Bayyara project, to be the first time that is granted this award from the magazine, in addition to the award of "The Best Bank in Palestine" that the bank sustained for 3 years. Moreover, The Banker Magazine also granted Bank of Palestine BOP "The Bank of The Year 2013" within the program of the annual awards given by the international magazine, through a specialized Committee to rate the banks around the world in order to reward and promote high-quality financial products around the world, as it is the first time to include Palestine among categories of awards on an annual basis.
- The board of directors of Dar Al-Shifa'a for the Manufacturing of Pharmaceuticals PHARMACARE approved, on its meeting on 18/03/2014, whereby, approved investing \$2 million in the manufacturing company in Iraq.

Other Related News

- The governor of Palestine Monetary Authority PMA; Dr. Jihad Al-Wazir said that the Palestinian banks have capital adequacy that exceeds 16%, while others exceed 20%, while, the bank's assets amounted to \$11 billion which resembles the strength of the Palestinian banking system.
- The Siraj Palestine Fund I, won a prize of the best investment fund in the annual ranking of EMEA Finance Magazine that is specialized in rating the companies and financial institutions in Europe and the MENA Region.
- The Palestinian Minister of National Economy noted that the modified investment promotion law that was lately approved by the Council of Ministries and forwarded to the President for approval, focuses on supporting all the productive sectors in Palestine, in addition to projects that increase employment and exporting or using local resources, besides paying particular attention to the industrial, agricultural, tourism and promising sectors and projects that follow the best standards of environmental conservation and using of alternative energy resources. He also emphasized that the modifications on the law will provide extensive packages of incentives to local and foreign investors- including tax and non-tax incentives- which will contribute in supporting the investment decision and developing the existing investments, in addition to promoting investment in Palestine in a better way.

Approved Dividends Distribution for 2013

Company	Cash Dividends	Stock Dividends	GA's Decision Date	Payment Date	Dividends Yield	Payout Ratio
Arab Company for Paint Products (APC)	40%	-	09/02/2014	01/03/2014	12.31%	76.04%
Al-Shark Electrode Company (ELECTRODE)	11.5%	-	23/03/2014	01/05/2014	5.53%	89.60%
Global United Insurance Company (GUI)	5%	17.5%	02/04/2014	02/04/2014	2.42%	38.46%
National Insurance Company (NIC)	20%	-	27/03/2014	29/03/2014	5.68%	43.67%
Palestine Telecommunications (PALTEL)	50%	-	26/03/2014	30/04/2014	7.94%	71.63%

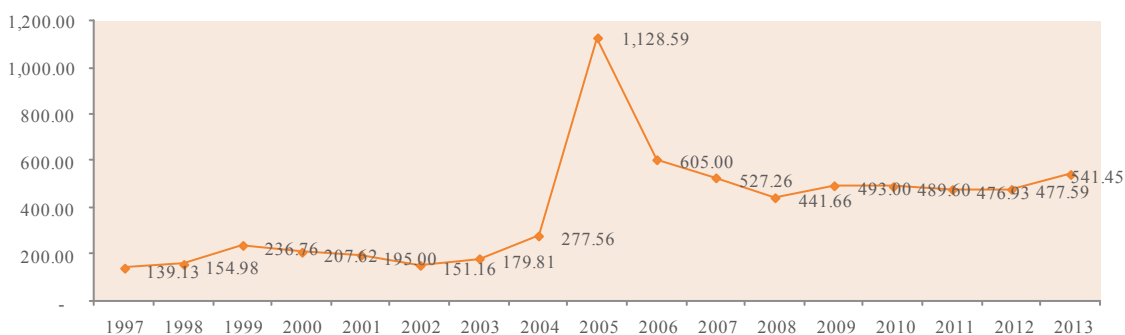
Dividends Distribution Recommendations for 2013

Company	Cash Dividends	Stock Dividends
Bank of Palestine (BOP)	8.33%	6.67%
Palestine Islamic Bank (ISBK)	5.8%	-
Palestine Poultry (AZIZA)	12%	-
Birzeit Pharmaceuticals (BPC)	15%	-
National Aluminum and Profile (NAPCO)	5%	-
The National Carton Industry (NCI)	6%	-
The Vegetable Oil Industries (VOIC)	50%	-
Trust International (TRUST)	10%	-
Al-Takaful Palestinian Insurance (TIC)	7%	-
Palestine Development & Investment (PADICO)	6%	-
Palestine Industrial Investment (PIIC)	12%	-
Arab Palestinian Investment (APIC)	-	19.98%
Palestine Electric (PEC)	5%	10%

Appendix 1: PEX Total Yearly Activity (1997-2013)

Year	#. Trading Sessions	Trading Volume	Daily Average Turnover-Volume	Trading Value \$	Daily Average Turnover-Value	# transactions	Daily Average Turnover-Transactions	Market Capitalization \$
1997	66	10,000,276	151,519	25,158,471	381,189	1,957	30	529,057,368
1998	100	16,782,498	167,825	68,642,344	686,423	7,639	76	587,876,243
1999	146	68,892,607	471,867	150,243,919	1,029,068	10,625	73	848,935,775
2000	211	93,351,075	442,422	188,982,443	895,651	20,143	95	766,018,025
2001	161	33,456,535	207,805	74,528,351	462,909	8,205	51	722,631,785
2002	100	18,666,938	186,669	45,084,654	450,847	4,579	46	576,593,466
2003	223	40,350,788	180,945	58,326,445	261,554	10,552	47	650,468,928
2004	244	103,642,845	424,766	200,556,709	821,954	27,296	112	1,096,525,380
2005	246	369,567,295	1,502,306	2,096,178,223	8,521,050	166,807	678	4,457,227,305
2006	238	222,689,351	935,670	1,067,367,951	4,484,739	150,592	633	2,728,811,088
2007	248	299,422,814	1,207,350	813,469,091	3,280,117	157,300	634	2,474,679,018
2008	244	339,168,807	1,390,036	1,185,204,211	4,857,394	152,319	624	2,123,057,098
2009	246	238,877,373	971,046	500,393,398	2,034,120	88,838	361	2,375,366,531
2010	249	230,516,370	925,769	451,208,528	1,812,082	82,625	332	2,449,901,545
2011	248	184,544,375	744,131	365,645,216	1,474,376	61,928	250	2,782,469,900
2012	249	147,304,208	591,583	273,440,422	1,098,154	41,442	166	2,859,140,375
2013	241	202,965,939	842,182	340,774,268	1,414,001	44,425	184	3,247,478,385

Al Quds Index Performance (1997-2013)



Appendix 3: Sectors' Indices (2007-2013)

Year	Banking & Financial Services	Industry	Insurance	Investment	Services
2007	81.52	66.1	77.5	38.27	48.26
2008	78.74	54.38	57.79	22.11	46.92
2009	102.83	55.56	53.65	22.55	49.85
2010	95.08	66.96	47.41	23.41	51.44
2011	95.76	65.99	45.68	20.98	50.85
2012	105.31	63.81	47.47	19.15	49.89
2013	124.92	68.26	45.52	25.6	52.23
<i>CAGR</i>	<i>7.37%</i>	<i>0.54%</i>	<i>-8.49%</i>	<i>-6.48%</i>	<i>1.33%</i>

Report's Sources

- Palestine Central Bureau of Statistics—PCBS.
- Monthly Statistical Newsletters— PEX.
- Palestine Stock Exchange Media Center.
- Sahem Trading & Investment Database.
- Palestine Monetary Authority—PMA.
- Local Newspapers

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