

Gaza: 12 July, 2007

Border Closures "Effect on Private Sector in Gaza"

Prepared by:



On Behalf of:

**The Palestinian Private Sector
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Industrial Sector

	June 2005 (pre -disengagement)	Week 1, July 2007 (current Crisis)
Number of working establishments ¹	3,900	780
Number of working employees ¹	35,000	4,200
Export (truckloads) ²	748	0

- Most of the industries in Gaza are manufacturing industries of which there is a 95% dependency on imported raw materials
- There is an 80% dependency on the imports of machinery and maintenance parts which can lead to the suspension of production lines.

“80% Temporary Shut Down of establishments and operating establishments work with 60% capacity”

(1) Source: Industrial Associations

(2) Source: PalTrade

Key Industrial Sectors

	Furniture Sector		Garment & Textile Sector		Food Sector	
	June 2005 (pre - disengagement)	Week 1, July 2007 (current Crisis)	June 2005 (pre - disengagement)	Week 1, July 2007 (current Crisis)	June 2005 (pre - disengagement)	Week 1, July 2007 (current Crisis)
Number of working establishments ¹	600	120	960	48	80	28
Number of working employees ¹	5,500	550	16,000	800	2500	300
Export (truckloads) ²	168	0	143	0	154	0

Reliance on ...	
Imports	Exports
-There is a 100% dependency on imported raw materials (wood, paint, accessories, Fabrics, yarn, accessories, food elements, etc...)	-76% of Furniture sector output is for exports (mainly Israel) -90% of Garment sector output is for exports (to Israel) - 20% of Processed Food sector output is for exports (mainly Israel and West Bank)

(1) Source: Industrial Associations (WIU, SFOU, TIA, PFIA)

(2) Source: PalTrade

Key Industrial Sectors - Current Losses

Sector's Sales losses in the First Month (June 12 – July 11, 2007):

- Furniture Sector : US\$ 3.6 million
- Garment and Textile Sector : US\$ 10 million
- Processed Food Sector : US\$ 2.5 million

A Total Sales Loses is estimated to be US\$ 16 million

Notes:

- The estimated losses is the value of products available for export, at stock and ordered within the current season. If these products were not exported in due time these will be considered as losses.
- The summer season is critical for the exports of industrial sectors.

Source: Industrial Associations (WIU, SFOU, TIA, PFIA)

Export Cash Crops Sector

Crop	Planned Planting Area 2007 (dunums)	Expected Export Volume 2007	Expected Export Sales 2007
Carnations	450	38 million stems	US\$ 3 million
Strawberries	2600	1380 tons	US\$ 8 million
Cherry Tomatoes	250	904 tons	US\$ 1 million
Ex-Settlement Farms (Various produce)	0	0	0

- The Planting Season have started in June for the upcoming export season in November, If the border terminal remain closed the sector will face a 100% loss in sales estimated to be more than US\$ 12 million.
- There is a total of 5,000 farmers in the cash crops sector (excluding ex-settlement farms)
- There is a 100% dependency on imports (fertilizers, pesticides, sterilization gas, seeds, seedlings, packaging materials, etc..) . The imports of these products are critical in the summer season.
- If the cultivation materials (fertilizers, pesticides, gas) are not available there will be a 20-30% drop in the quality and quantity of produce.
- 100% of sector output is for exports.

Source: Agricultural Marketing Cooperatives/Associations-Gaza.

Other Local Plant Cultivation Sector 1

- There is a 100% dependency on imports (fertilizers, pesticides, sterilization gas, packaging materials, etc..)
- If cultivation needs (fertilizers, pesticides, sterilization gas, etc..) materials are not available there will be a 50% drop in the quality and quantity of produce.

Livestock Sector 2

- There is a 100% dependency on the imports of:
 - Animal and Chicken feed
 - Fertilized eggs
 - Veterinary drugs
- The current available inputs prices have increased dramatically.

(1) Source: Agricultural Cooperatives/Associations-Gaza.

(2) Source: FAO

Construction Sector

	January 2007	Week 1, July 2007 (current Crisis)
Number of working establishments	120	50
Number of working employees (direct and indirect)	42,000	7,000

Value of current projects which cannot be completed due to the current crisis are US\$ 160 million including UNRWA, UNDP and other projects

Work Stoppage and Delay Costs Losses in the first month is estimated to be US\$ 1.6 million

Losses include:, increase of available construction materials prices, management costs, accumulative interest rate, and other.

Importers Losses

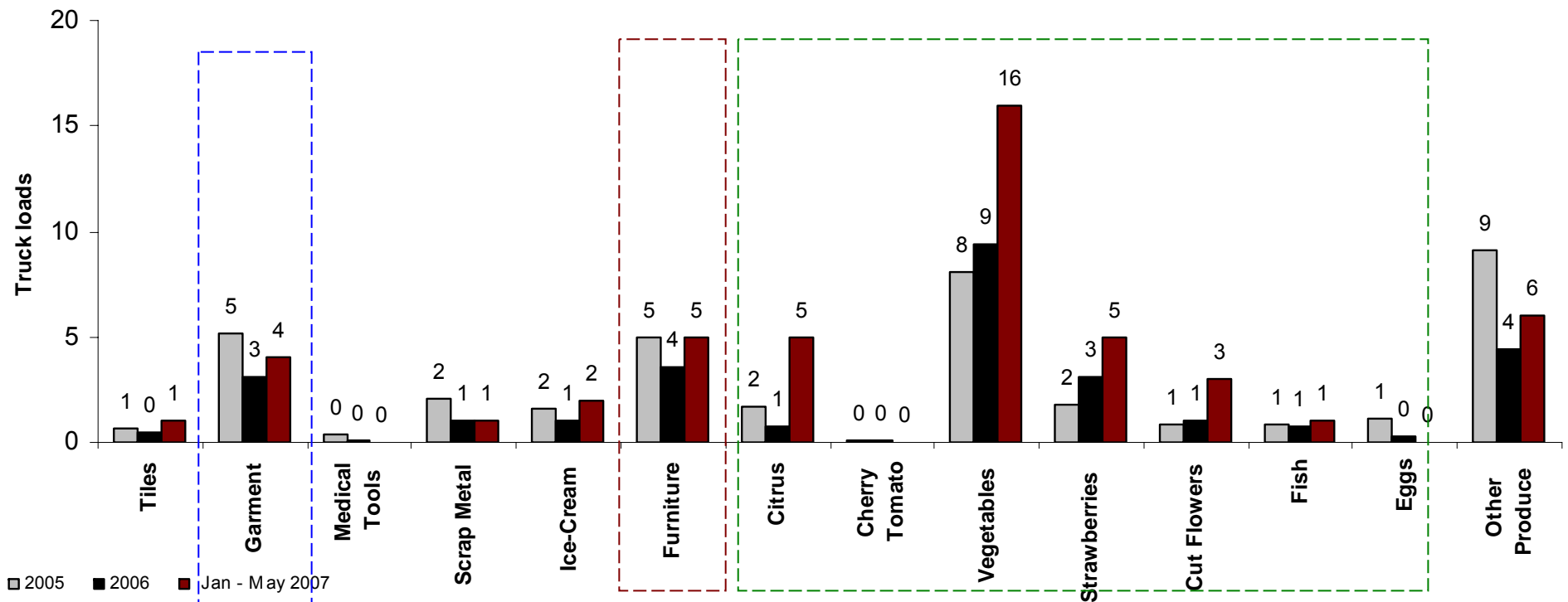
“more than 1300 containers stuck at the Israeli freight terminals and warehouses”

until 4/7/2007:

- There are 850 containers at Israeli ports valued at US\$65 million
- There are 450 new containers on the way to Israeli Ports (which have already left the ports before the cancellation of Gaza destination custom code) valued at US\$35 million
- Accordingly, an estimated total of US\$ 3 million are paid as demurrage fees.

Source: Palestinian Shippers Council (Survey of 104 companies)

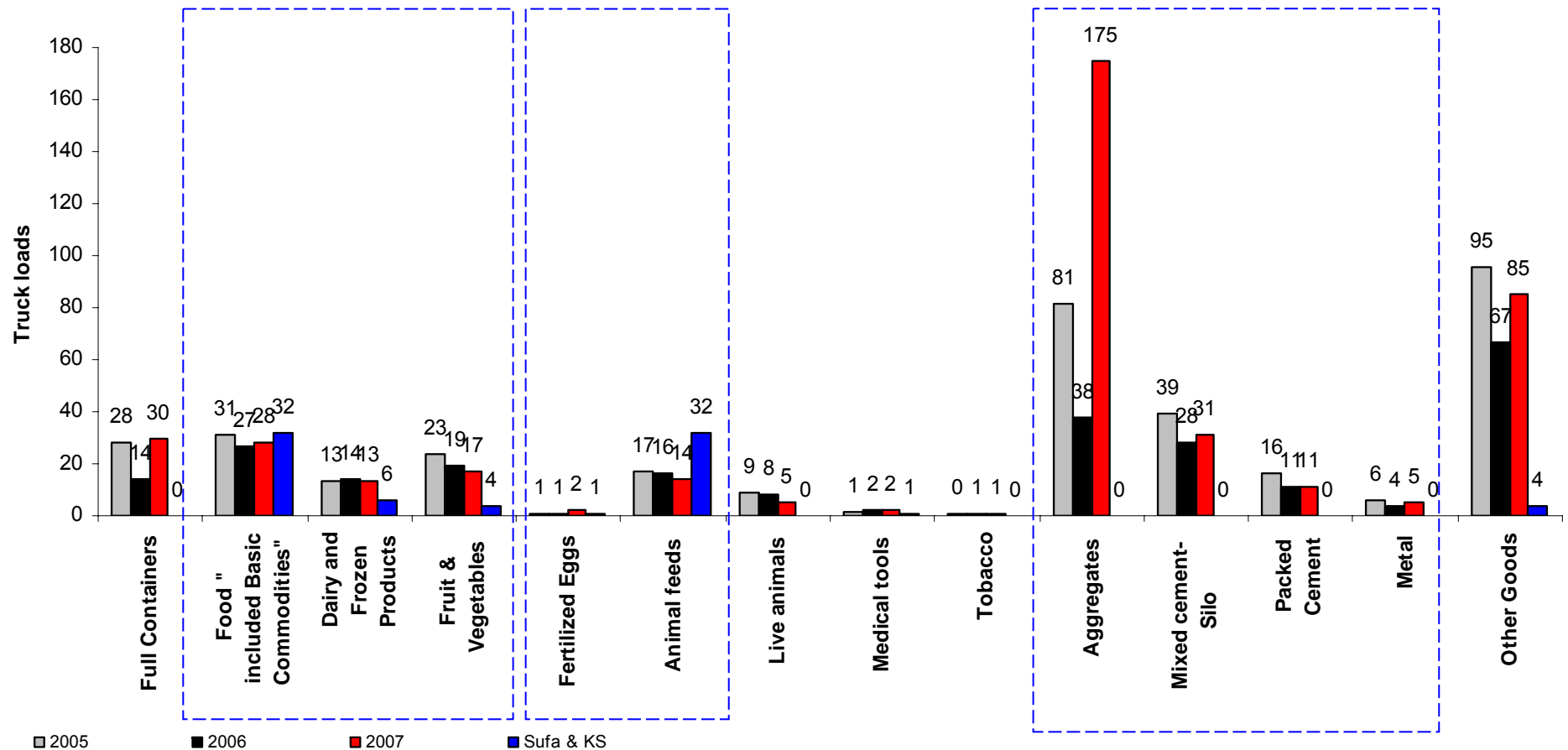
Al Montar /Karni Average Daily Exports (2005-2007)



Source: PalTrade, Commercial Terminals Database

Average Daily Imports (2005-2007)

Al Montar /Karni Average Daily Imports (2005-2007) Vs. Average Daily Imports via Sufa & Kerem Shalom Terminals in the period between June 19th – July 9th 2007.



Source: PalTrade, Commercial Terminals Database

Economic Impact

In one month...

- At least 3,190 establishments have temporarily closed.
- At least 65,800 employees are temporary laid off.
- An estimated US\$ 20.6 million losses, in addition to stopping of US\$ 160 million of construction projects.

PalTrade Company Visits – July 10th 2007



Company Name: AG Company
Contact Person: Maged Keir Deen
No. of employees: 240
Production: Garment

“Factory stopped operations on 14 June 2007, all employees are currently out of work”

Current Losses:
8,000 pieces valued at US\$38,000
were already exported to the Israeli
Company

8,000 pieces valued at US\$38,000
should be exported now in order to
receive a total of US\$76,000.

PalTrade Company Visits – July 10th 2007



Company Name: Maple Furniture

Contact Person: Alaa Amasi

No. of employees: 85

Production: Furniture

“Factory stopped operations on 12 June 2007, only 8 administrative staff are currently working”

Current Losses:

40 truckloads of a total value \$700,000 are waiting to be exported.

Required Actions

1- Immediate opening of AlMontar/Karni Terminal for both imports and exports.

2- Immediate Re-Instatement of Gaza destination custom code