

Palestinian Central Bureau of Statistics
Notice for the Users of National Accounts Data at Constant Prices
(Base 2015)

Introduction:

Preparing the data of national accounts at constant prices is important to know the real growth of the various economic activities. National accounts data at constant prices are being prepared based on the System of National Accounts (SNA 2008) and the other international manuals related to prices and volume measures, in addition to using the different price indices (deflators) volumes or what is called the national accounts at constant prices.

The Palestinian Central Bureau of Statistics (PCBS) has started preparing national accounts data at current prices since 1994, while it started preparing national accounts at constant prices since 2000 by adopting 1997 as a base year. Later in 2006, the year of 2004 was adopted as a base year to abide by the international recommendations that requires updating the base year every five years. But due to the specificity of the Palestinian situation, it was difficult to update the base year after 2006 up to now due to the lack of normal year conditions. In 2017, PCBS updated the base year of the national accounts data at constant prices to 2015, taking into account the most recent international recommendations.

2015 as a base year:

The year 2015 was adopted as the base for national accounts series 1994-2015. The current data of 2015 remain the same at constant prices. In this context, it is necessary to focus on some points related to the methodology adopted in moving to the new base year. Here are the most important that may raise questions among data users:

- In updating the base year, the historical story of the economy was maintained before 2015. In other words, real GDP growth rates were only revised from new base year onwards. Thus, there is no entire historical revision of growth rates at the level of the economic activity, geographical region (West Bank and Gaza) as well as the quarterly national accounts. And this is consistent with the latest international recommendations in this field.
- Base year updating process was not accompanied by any revision of national accounts data at current prices, neither new methodologies, methods of calculation or classifications were used.
- As a result of maintaining the same growth rates based on SNA 2008 recommendations, the additivity between the breakdowns of GDP is lost for the years preceding the base year. This means that the summation of the components of any indicator does not yield the same value of the indicator obtained by extrapolating backward, so each time series data of GDP components is treated as an independent series to express the real growth over time and not to be a part of any mathematical identity.
- Additivity is lost at the level of GDP and at the level of any other identities such as output, intermediate consumption, region and at the level of the quarters of a year.

- Data from the base year onwards is additive for all components of GDP at the level of economic activities and region.
- Data at constant prices is a tool to know the real growth of different economic variables, but data users who deal with some variables as mathematical identities are free to deal with the differences resulting from loss of additivity in the appropriate way that serves their own economic analysis.
- SNA 2008 was adopted in moving to the new base year 2015, and for more details on the applied methodology you may find it on UNSD website:
<https://unstats.un.org/unsd/nationalaccount/sna2008.asp>