



الجهاز المركزي للإحصاء الفلسطيني

Palestinian Central Bureau of Statistics



سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY

The Palestine Monetary Authority and The Palestinian Central Bureau of Statistics

The Performance of the Palestinian economy during 2020, as well as the economic forecasts for the year 2021

Palestine Monetary Authority (PMA) and the Palestinian Central Bureau of Statistics (PCBS) jointly issued a press release on the performance of the Palestinian economy for 2020 along with the economic forecasts for 2021; a joint publication that represents the continuous efforts carried out by both of PMA and PCBS. It is worth mentioning that this data excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967.

The Performance of the Palestinian Economic¹ in 2020 The Economy during the times of the Pandemic and the Crisis of Clearance Revenues

As a result of the impacts of the Coronavirus pandemic, the Palestinian economy has recorded a sharp decline reaching 12% during 2020, as most economic activities experienced setbacks in the value added leading to a noticeable decrease in the GDP per capita and a rise in unemployment rates with new segments of the population entering the poverty cycle, which led to a decline in the public demand on the consumption and gross investment indicators.

The year 2020 witnessed a decline in Gross Domestic Product (GDP) of 12% compared to 2019. Due to the early effects of the Coronavirus pandemic during the first quarter of 2020, the Palestinian economy witnessed a decline of around 4% compared to the same quarter of 2019. However, this decline deepened with the impacts of the pandemic, which made the Palestinian government take a number of emergency measures to be imposed, including partial and total lockdowns. The aim of such lockdowns was to contain the outbreak of COVID- 19, as they were mostly imposed during the second quarter of 2020 in which the GDP recorded a sharp decline of around 20%

¹ Data at constant prices with 2015 as the base year. Data excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967. Data for 2020 were based on preliminary estimates and may be revised.

compared to the same quarter of the previous year. During the second half of 2020, most economic activities began to recover gradually due to the policy of balancing between the aspects of economy and health. GDP has increased but remained at a lower level than its pre-pandemic rates. This was also due to the Israeli occupation measures of withholding clearance tax revenues which lasted for more than seven consecutive months. It is well-known that those funds constitute 70% of the total Palestinian revenues and are considered the main source of funds used to cover current expenditures. At the expenditure level, gross consumption in Palestine dropped during the same period by 6%, whereas gross investment dropped by 36%.

A decline in most of the economic activities due to the full and partial lockdown, affecting most economic sectors

Most economic activities witnessed a noticeable decline in the value added during 2020 compared to 2019. The services activity recorded the highest drop value by 10%. The construction activity witnessed a decline of 35%, followed by the industry activity which showed a decline of 12%, and the agriculture activity witnessed a decrease by 11%.

A Continuation in the trade balance deficit, and a decline in the volume of trade exchange with the world and a decline in the imports and exports to and from Palestine.

In 2020, the volume of trade exchange to and from Palestine reached USD 10 billion with a decline of 10% compared to 2019. This resulted from a decline of 7% in exports, which reached USD 2.5 billion and a decline of 11% in imports, which reached USD 7.4 billion. Therefore, the trade balance witnessed a deficit of around USD 5 billion.

More than 66 thousand employees lost their jobs during 2020, leading to an increase in the unemployment rate which reached 27.8% and resulting a decline of 14% in the GDP per capita and new segments of the population entering poverty and extreme poverty.

The total number of employees in the labor market dropped from 951 thousand employees in 2019 to 884 thousand in 2020. Also, and the unemployment rate increased from 26.3% to 27.8%.

A decrease of consumer Prices² during the year 2020

Preliminary estimates showed that the average of overall consumer prices index in Palestine recorded a decrease of 1.0% during 2020 compared with 2019.

² Data includes those parts of Jerusalem which were annexed by Israeli occupation in 1967.

The Palestinian Economy is expected to recover and grow in 2021

Palestine Monetary Authority (PMA) and the Palestinian Central Bureau of Statistics (PCBS) also issued two reports on the economic forecasts for 2021 that are now available on PCBS and PMA websites. Accordingly, those reports forecasted the main indicators of the Palestinian economy for 2021 according to the baseline scenario that assumes the gradual recovery of the Palestinian economy to its level prior the health crisis of COVID- 19 pandemic. This recovery will be due to the availability of the COVID- 19 vaccine that will be provided in the very near future, in addition to the transferring of clearance revenues to the Palestinian government as regular as well as the stability in the political and economic situations. Hence, such assumptions were reflected on the economic indicators in the major sectors.

- Real Sector (Gross Domestic Product (GDP), population, labor statistics and prices). It is assumed that the consumption (private and public) and investment indicators will recover. This is in addition to the continuity in the sectoral strategies and clusters based development with focusing on the productive sectors, especially clean energy sector, and the technological innovation abiding by the government's economic policies related to the gradual economic detachment from the Israeli occupation economy. In addition, a relative improvement is anticipated in the levels of employment and local employment as well as the rising number of Palestinian employees inside Israel.
- Regarding the fiscal sector (revenues, expenditures and central government debt), it was assumed that the level of government revenues will rise compared to its level in 2020 in addition to an improvement that will occur in the government expenditure pace.
- As for the external sector (foreign trade and balance of payment), it was assumed that foreign trade indicators and the current transfers made to the private sector will recover.
- As for the monetary sector (credit facilities, deposits and interest value), it was assumed that the levels of credit facilities provided to the private sector to support development projects will improve.

According to these assumptions, economic forecasts indicate that there will a possibility for achieving a real growth during 2021 based on the baseline scenario with a percentage ranging between 6% and 7%. Such growth shall lead to an anticipated improvement in the level of individual income of about 4%. Also, the forecasts indicate that this performance will be driven by the recovery of the total consumption expenditure with a percentage ranging between 3% and 5% with an improvement in the investments growth pace to 20%. Accordingly, this performance will also affect the external sector, where exports are anticipated to grow at a percentage ranging between 4% to 8%. This is in addition to a rapid growth in imports at a percentage ranging

between 5% and 8%. Nonetheless, it is also expected that the economic improvement will positively, but slightly, affect unemployment rates, so that the unemployment rate decreases only one point in this scenario.

Furthermore, such forecasts are subject to some potential, especially that the Palestinian economy is working in an environment surrounded by great risks, dangers and uncertainty, in addition to all other implications and reflections on the overall economic activity. There is a new emerging crisis each year or a previous crisis continues, whether at the political level or at the economic level. In light of such reality, the forecasts included an analysis of potential risks at different degrees (optimistic scenario and pessimistic scenario) which are anticipated to have positive or negative impacts on the economic performance in the near future.

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