

Dr. Awad, President of PCBS, demonstrated

- **The performance of the Palestinian economy during 2018.**
- **The economic forecasts for the year 2019.**

Dr. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS), demonstrated today 24/12/2018, the performance of the Palestinian economy during 2018, as well as the economic forecasts for the year 2019, as follows:

Palestinian Economic¹ Performance during 2018

A sharp decline in GDP in the Gaza Strip by 8% while the GDP in the West Bank increased by 2.3% during the first three quarters of 2018 compared to parallel quarters of 2017.

The preliminary estimates indicated a slowdown in GDP growth in Palestine in 2018 to reach 0.7% compared to 3% in 2017, GDP per capita has decreased by 1.5%, where the first three quarters of the year 2018 witnessed a decrease in GDP for Gaza Strip by 8% compared to the same quarter of 2017, on the other hand the GDP in the West Bank rose by 2.3% during the same period.

The industry activities recorded the highest increase in value added compared to 2017, the preliminary estimates showed an increase by 5%, which rose by 6% in the number of employed persons, followed by the agriculture activity with a gross value added rising by 4%, and construction activity by 0.7%, whereas services and other branches declined by 1% compared with 2017.

An increase in the number of employees in the labor market during 2018

Preliminary estimates indicated an increase in the total number of employed persons in the labor market by 2% compared to 2017. The increase was attributed to the high increase in the number of employed persons in construction and industry activities. Unemployment rate increased to 31% in 2018 compared to 29% in 2017.

A decline in the Palestinian trade balance deficit during 2018.

Preliminary estimates of the Palestinian foreign trade movements which are represented in the value of exports and imports, indicated that the value of exports increased by 8% compared to 2017 and the value of imports increased by 2% compared to 2017, which led to a decrease in the trade balance deficit by 1% compared to the previous year.

Prices²

Preliminary estimates showed that the average of overall consumer prices index in Palestine recorded a slight decrease during 2018 compared with 2017.

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 2018 were based on preliminary estimates and may be revised.

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

Economic Forecasts³ for 2019

Those forecasts were developed based on various scenarios for Palestine, which do not differentiate the West Bank from Gaza Strip despite the gap between them, and in consultation with the Advisory Committee for Economic Statistics, which consists of local economists and academics, in addition to the Ministry of Finance and Planning and the Palestinian Monetary Authority. Each scenario took into consideration internal political and economic circumstances for 2019, the blockade imposed upon Gaza Strip, foreign aid, Israeli measures in Palestine, the number of Palestinian workers in Israel and economic and social variables.

1. Baseline Scenario⁴

This scenario is based on the assumption that the economic and political situation in Palestine will remain the same as it was during 2018, as well as the decline in financial support provided by donor countries to finance the budget of the State of Palestine (Central Government). Decline in clearance revenues from Israel, in addition to an increase of government transfers and income tax collection and increased the value of the credit facilities. It assumes that obstacles placed by Israel on the movement of people and goods inside Palestine, between regions, or with neighboring countries, will be the same as in 2018, in addition to the natural population growth in Palestine.

Expectations of Base Scenario

Real Sector:

Gross Domestic Product (GDP): It is expected to increase by 0.5% in 2019; the value of GDP per capita is expected to decrease by 2%, and the value of gross consumption (private and public) is also expected to decrease by 1%. The value of total investment is expected to increase by 5%.

Work and Workers: An increase of 3% in the number of employees is anticipated and the unemployment rate is expected to reach 31.5% in 2019.

Fiscal Sector:

An increase by 1% in the value of government revenues is anticipated. In addition, to the increase in value of government expenses by 1%, and the increase by 1.3% of the public budget deficit (Central Government).

External Sector:

An increase by 3% is anticipated in the net current account⁵ deficit value of Palestine and a decrease by 1% in the trade balance deficit value. This is attributed to the expected rise in the value of exports by 5%, despite the expected increase in value of imports by 1%. The value of net factor income is expected to increase by 1%, and value of gross national income will increase by 0.5%, while the gross national disposable income will decrease by 0.2%.

2. Optimistic Scenario

This scenario is based on an improved political and economic situation due to greater political reconciliation between the West Bank and Gaza Strip, the reconstruction of Gaza Strip, and assistance provided by donor countries to finance the budget of the State of Palestine (Central Government), and the

³ Data at constant prices with 2015 as the base year. Data excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967.

⁴ The assumptions of the Ministry of Finance and planning are preliminary assumptions.

⁵ The net current account includes the net trade balance, net current transfers and net factor income.

increase in the clearance revenues and improved tax collection efficiency, with more income tax collection, and increase in the domestic value-added tax, and clearance value added tax collection, increased development expenditure. It also assumes a decrease in obstacles placed by Israel on the movement of people and goods inside Palestine, between regions, or with neighboring countries compared with 2018, in addition to the anticipated natural population growth in Palestine.

Expectations of the Optimistic Scenario

Real Sector:

Gross Domestic Product (GDP): It is anticipated to increase by 5% during 2019 and GDP per capita will increase by 2%. It also assumes that gross consumption value (private and public) will increase by 1% and the value of total investments will increase by 15%.

Work and Workers: An increase by 8% in the number of employees is anticipated and the unemployment rate is expected to decrease to 29% during 2019.

Fiscal Sector:

An increase in the value of government revenues by 7% is anticipated, an increase in the value of government expenses by 10%.

External Sector:

A decrease by 31% in the net current account deficit value of Palestine is anticipated as a result of the decline of trade balance deficit value by 0.4%, due to the increase in the value of exports by 8% despite the expected increase in the value of imports by 3%. And as a result of the increase in the value of net factor income and net current transfers by 18%, 11% respectively, the increase in the value of net factor income due to the increase in number of workers in Israel as a result of the assumption of freedom of movement of people and goods in Palestine. This would increase gross national income value by 6%, and gross national disposable income value by 6.4%.

3. Pessimistic Scenario

This scenario accounts for the deterioration in the volatile political and economic situation. It assumes a decrease in aid from donor countries to finance the budget of the State of Palestine (Central Government), fluctuations in the transfer of clearance revenues, a decline in both collection of the domestic value added tax and clearance value added tax. It also presumes a decrease in income tax collection, and a decrease in the development expenditures. It assumes that obstacles placed by Israel on the movement of people and goods inside Palestine, between regions, or with neighboring countries will increase and the number of workers in Israel will decrease as a result of the anticipated closures.

Expectations of the Pessimistic Scenario

Real Sector:

Gross Domestic Product (GDP): GDP is expected to decrease by 3% during 2019 and GDP per capita will decrease by 5%. In addition, gross consumption value (private and public) will decrease by 3% and the value of total investments will decrease by 4%.

Work and Workers: The number of Palestinian employees in Israel is anticipated to decrease by 12% which will lead to an increase of the unemployment rate to reach 33% during 2019.

Fiscal Sector:

Government revenues value are expected to decrease by 9% as a result of Israel freezing a proportion of tax revenues, plus an increase in tax evasion, a decrease in the value of government expenses by 12%.

External Sector:

The net current account deficit value of Palestine is anticipated to increase by 40% due to an expected decrease in the net factor income value by 9% assuming that the number of workers in Israel will decrease and constraints imposed within Palestine will increase, in addition to a decrease in net current transfers value by 45%. Despite the decrease of trade balance deficit value by 5% as a result of a decrease in the value of imports by 7%, and a decrease in the exports value by 9%. A decrease by 3% is anticipated in gross national income value and a decrease by 7% in the value of gross national disposable income.

The most significant outputs of economic forecasts based on the assumed scenarios in Palestine for 2019*.

Main Indicators	2017	Preliminary Estimates 2018	Baseline Scenario 2019	Optimistic Scenario 2019	Pessimistic Scenario 2019
Gross Domestic Product (USD Million)	13,686.4	13,776.3	13,840.3	14,401.4	13,396.4
GDP per capita (USD)	3,072.4	3,027.6	2,979.2	3,100.0	2,883.7
Gross National Income (USD Million)	15,283.5	15,366.9	15,447.6	16,283.0	14,839.9
Gross National Disposable Income (USD Million)	16,973.3	16,987.1	16,946.6	18,081.8	15,739.3
Real Average Daily Wage per employee (USD)	22.1	22.3	22.3	22.5	22.2
Unemployment Rate (%)	28.8	30.7	31.5	29.3	32.7
Percentage Change (%)					
Percentage Change in Gross Domestic Product	3.1	0.7	0.5	4.5	-2.8
Percentage Change in Gross Final Consumption Expenditure	-1.4	-1.2	-1.0	0.8	-3.4
Percentage Change in Gross Capital Formation	10.0	7.3	4.9	14.5	-3.5
Percentage Change in Trade Balance (Deficit)	-6.9	-0.9	-1.3	-0.4	-5.2
Percentage Change in Gross Exports	12.4	7.5	4.6	7.9	-9.0
Percentage Change in Gross Imports	8.5	2.1	1.0	2.7	-6.6
Percentage of GDP (%)					
Percentage of Final Consumption Expenditure of GDP	112.6	110.6	108.9	106.6	109.9
Percentage of Gross Capital Formation of GDP	22.6	24.1	25.1	26.4	23.9
Percentage of Trade Balance (Deficit) of GDP	-35.2	-34.7	-34.0	-33.0	-33.8
Percentage of Gross Exports of GDP	19.6	20.9	21.8	21.6	19.6
Percentage of Gross Imports of GDP	54.8	55.6	55.8	54.6	53.4
Percentage Contribution of Agricultural Activity Value Added of GDP	2.8	3.0	3.0	3.5	2.6
Percentage Contribution of Industrial Activity Value Added of GDP	11.0	11.5	11.8	12.0	11.7
Percentage Contribution of Construction Activity Value Added of GDP	6.5	6.5	6.7	6.7	5.7
Percentage Contribution of Services and Other Branches Activities Value Added of GDP	62.9	61.7	61.9	60.6	63.5

(*) Data at constant prices with 2015 as the base year. Data also excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967

Note:

1- The gross consumption includes net errors and omissions.

2- Services and Other Branches (includes services, in addition to electricity and water supply, wholesale and retail trade, transportation and storage, financial and insurance, information and communications, public administration and defense, and households services) excluding customs duties and net VAT on imports.