

Palestinian Central Bureau of Statistics (PCBS)

Press Report Of Economic Forecasting For 2015

Ms. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS), has reviewed the performance of the Palestinian economy during 2014, as well as the economic forecasts for the year 2015.

Palestinian Economic¹ Performance during 2014

Decline in GDP and GDP per capita during 2014; the unemployment rate was 27.0%.

Decline in the Gross Domestic Product (GDP)

Preliminary estimates indicated a decrease in GDP in Palestine by 2.5% during 2014 compared with 2013; GDP per capita has decreased by more than 5% during 2014 compared with 2013.

The decrease in 2014 was concentrated in the major economic activities that are the biggest contributors to GDP: the agriculture activity, construction activity, services and other items activity and industrial activity. Preliminary estimates showed that the highest decrease was in construction, which decreased of around 10% despite an increase of around 3% in the number of employed persons in this activity. The agricultural activity decreased by more than 7% during 2014 compared with 2013 and the number of employed persons in this activity decreased of around 5%.

The services and other items activity in Palestine contributed the most to GDP compared to other activities in comparison with other activities, but preliminary estimates indicated a decline in the value added of around 3%, although the number of employed persons remained stable.

The industrial activity is one of the most important economic activities which contributor in GDP and preliminary estimates recorded a decrease of around 1% during 2014 compared with 2013, although the number of employed persons in this activity remained stable.

Preliminary estimates of Palestinian labor market indicators

Preliminary estimates indicated that gross of employed persons in Palestinian local labor market was stable during 2014 compared with 2013 despite natural population growth. This indicates the weak absorptive capacity of the local labor market. Preliminary estimates indicated that the percentage of Palestinian employees working in Israel remained stable at around 10%.

¹ Data at constant prices with 2004 as the base year. Data excludes those parts of Jerusalem governorate which were annexed by Israel in 1967. Data for 2014 were based on preliminary estimates and may be revised.

The rise in unemployment rate during 2014 to reach about 27% from about 24% in 2013, which resulted in the rescission in employment rates and absorption of new employees in the labor market and Israel.

A decrease in exports and an increase in imports of goods and services during 2014.

Preliminary estimates Palestinian of foreign trade movements, represented in exports and imports, indicated that the value of exports decrease by 1% compared with 2013 and the value of imports increased by more than 2% compared with 2013.

Prices²

Preliminary estimates, it is expected that the average of overall consumer prices index in Palestine will increase by 2% during 2014 compared with 2013.

² Data includes those parts of Jerusalem governorate which were annexed by Israel in 1967.

Economic Forecasts³ for 2015

These forecasts were developed on the basis of various scenarios for Palestine, which does not separate between the West Bank and the Gaza Strip despite the gap between both of them, and in consultation with local economists, the Ministry of Finance and the Palestinian Monetary Authority. Each scenario took into consideration internal political and economic circumstances for 2015, the block imposed on the Gaza Strip, foreign aid, Israeli measures in Palestine, the number of Palestinian workers in Israel, and economic and social variables.

1. Base Scenario⁴

This scenario is based on the assumption that the economic and political situation in Palestine will remain the same as it was during 2014. It assumes that donor countries will continue to provide financial support for the budget of the State of Palestine (central government) at the same level as in 2014, and that the transfer of money generated from clearance revenues via Israel continues. It also assumes that there will be an improvement in the collection of taxes to increase income tax revenues, plus local value added tax, and clearance value added tax by 4.0% for each them . It is assumed that the number of public sector employees remains constant and that government transfers increase by 4.0% compared with 2014, along with increases in development expenditure. It is assumed 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 2014, in addition to natural population growth in Palestine.

Expectations of Base Scenario

Real Sector:

Gross Domestic Product (GDP): It is anticipated that this will increase by 2.8% in 2015, the value of GDP per capita will decrease by 0.2%, and the value of gross consumption (private and public) will decrease by 1.4%. The value of total investment is expected to increase by 7.1%.

Work and Workers: An increase of 4.4% in the number of employees in Palestine is anticipated and the unemployment rate 2015 is expected to reach 27.9% in 2015.

Fiscal Sector:

An increase in the value of government revenues of 0.7% is anticipated as a result of improvements in tax collection, an increase in the value of government expenses by 1.8%, and an increase of 3.5% in the value of the public budget deficit (central government).

External Sector:

A decrease of 24.1% is anticipated in the net current account⁵ deficit value of Palestine and a decrease of 6.9% in the trade balance deficit value. The value of Palestinian imports is expected to decreased by 3.7%, while the value of Palestinian exports is expected to increase by 2.9%. Increases are also anticipated in net factor income value by 22.8%, in gross national income value by 4.4%, and in gross national disposable income value by 4.5%.

³ Data at constant prices with 2004 as the base year . Data excludes those parts of Jerusalem governorate which were annexed by Israel in 1967

⁴ The assumptions from the Finance Ministry are preliminary assumptions .

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

2. Optimistic Scenario

This scenario is based on an improved political and economic situation due to greater reconciliation between the West Bank and Gaza Strip, the reconstruction of the Gaza Strip, and assistance provided by donor countries to finance the budget of the State of Palestine (central government) of twice that of 2014. It assumes the continuation of transfer clearance revenues and improved tax collection efficiency, an increase of income tax revenues, local value added tax, and clearance value added tax by 6.0%, 15.0% and 10.0% respectively, an increase in development expenditure of 175.0%, increased government transfers of 16.0%, and the accommodation of 45 to 50 thousand employees in the Gaza Strip in the public sector. It also assumes that obstacles placed by Israel on the movement of people and goods inside Palestine, between regions, or with neighboring countries reduced compared with 2014, plus natural population growth in Palestine.

Expectations of the Optimistic Scenario

Real Sector:

Gross Domestic Product (GDP): It is anticipated that this will increase by 7.1% during 2015 and GDP per capita will increase by 3.9%. It also assumes that gross consumption value (private and public) will increase by 0.5% and the value of total investments will increase by 27.6%.

Work and Workers: An increase of 8.1% in the number of employees in Palestine is anticipated and the unemployment rate is expected to decrease slightly during 2015 to 26.3%.

Fiscal Sector:

An increase in the value of government revenues of 13.0% is anticipated, plus an increase in the value of government expenses of 19.0%, and an increase in the public budget deficit value (central government) of 29.0%.

External Sector:

A decrease of 34.0% in the net current account deficit value of Palestine is anticipated and an increase of 1.2% in the trade balance deficit value, increasing the value of Palestinian imports by 2.9%. The value of net factor income is expected to increase by 40.2%, reflecting directly on the net current account deficit value due to the increasing 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 9.7% and gross national disposable income value by 12.5%.

3. Pessimistic Scenario

This scenario is based on deterioration in the political and economic situation and in reconciliation between the West Bank and the Gaza Strip. It assumes reduced aid from donor countries to finance the budget of the State of Palestine (central government), an increase in tax evasion, fluctuations in the transfer of clearance revenues, and also a decline in revenues of the local value added tax and clearance value added tax of 30.0% for each them. 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 the result of closures and a halt to negotiations.

Expectations of the Pessimistic Scenario

Real Sector:

Gross Domestic Product (GDP): This is anticipated to decrease by 3.7% during 2015 and GDP per capita will decrease by 6.6%. In addition, gross consumption value (private and public) will be reduced by 3.9% and the value of total investments will decrease by 1.5%.

Work and Workers: The number of employees in Palestine is anticipated to decrease by 1.9% and the unemployment rate is expected to increase to 30.2% during 2015.

Fiscal Sector:

Government revenues value are anticipated to decrease by 13.9% 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 of 4.5%, and an increase in the public budget deficit value (central government) of 11.4%.

External Sector:

The net current account deficit value of Palestine is anticipated to increase by 9.0%, while a decrease of 2.8% in the trade balance deficit value is anticipated as a result of a decrease in the value of Palestinian imports of 3.3%. Net factor income value will decrease by 7.5% as a result of the assumption that the number of workers in Israel will decrease and constraints imposed within Palestine will increase. A decrease of 4.0% is anticipated in gross national income value and of 5.7% in the value of gross national disposable income.

The most significant outputs of economic forecasts based on the assumed scenarios in Palestine for 2015.

Macroeconomic Indicators	2013	Preliminary Estimates 2014	Base Line Scenario 2015	Optimistic Scenario 2015	Pessimistic Scenario 2015
Gross Domestic Product (GDP) (Million Dollars)	7,477.0	7,286.9	7,493.1	7,801.6	7,016.8
Percentage Change in Gross Domestic Product (%)	2.2	-2.5	2.8	7.1	-3.7
GDP per capita (Dollars)	1,793.3	1,695.8	1,691.7	1,761.3	1,584.1
Percentage Change in GDP per capita (%)	-0.8	-5.4	-0.2	3.9	-6.6
Gross Consumption (Million Dollars)	8,558.8	8,277.3	8,159.1	8,318.5	7,955.3
Percentage Change in Gross Consumption (%)	-3.0	-3.3	-1.4	0.5	-3.9
Gross Investment (Million Dollars)	1,644.0	1,837.6	1,967.9	2,344.0	1,810.7
Percentage Change in Gross Investment (%)	4.2	11.8	7.1	27.6	-1.5
Trade Balance (Million Dollars)	-2,725.8	-2,828.0	-2,633.9	-2,860.9	-2,749.2
Percentage Change in Trade Balance (%)	-11.6	3.7	-6.9	1.2	-2.8
Gross Exports (Million Dollars)	1,333.4	1,320.3	1,358.9	1,406.6	1,262.3
Percentage Change in Gross Exports (%)	3.3	-1.0	2.9	6.5	-4.4
Gross Imports(Million Dollars)	4,059.2	4,148.3	3,992.8	4,267.5	4,011.5
Percentage change in Gross Imports (%)	-7.2	2.2	-3.7	2.9	-3.3
Value Added of Services and Other Items Activity (Million Dollars)	4,718.7	4,596.7	4,756.9	4,878.6	4,512.0
Percentage Value added of GDP in Services and Other items (%)	63.1	63.1	63.5	62.5	64.3
Value Added of Industrial Activity (Million Dollars)	977.4	969.3	1,012.7	1,044.3	945.7
Percentage Value added of GDP in industrial activity (%)	13.1	13.3	13.5	13.4	13.5
Value Added of Construction Activity (Million Dollars)	758.7	684.2	710.8	760.8	601.6
Percentage Value added of GDP in Construction Activity (%)	10.1	9.4	9.5	9.8	8.6
Value Added of Agricultural Activity (Million Dollars)	309.9	287.2	310.6	323.4	265.6
Percentage Value added of GDP in Agricultural Activity (%)	4.1	3.9	4.1	4.1	3.8
Gross National Income (Million Dollars)	8,068.2	7,925.1	8,277.0	8,696.4	7,607.2
Percentage Change in Gross National Income (%)	3.6	-1.8	4.4	9.7	-4.0
Gross National Disposable Income (Million Dollars)	8,767.1	8,568.8	8,953.0	9,642.7	8,080.3
Percentage Change in Gross National Disposable Income (%)	-1.0	-2.3	4.5	12.5	-5.7
Unemployment Rate (%)	23.8	26.7	27.9	26.3	30.2
Number of workers (Includes in Israel and Settlements)	865,417	867,371	905,325	937,769	851,055
Percentage change in workers (%)	4.3	0.2	4.4	8.1	-1.9
Real Average Daily Wage per employee (Dollars)	16.8	16.5	16.7	16.8	16.4
Percentage change in real average daily wage per employee (%)	6.5	-1.8	1.2	1.8	-0.6

Data at constant prices with 2004 as the base year.

The gross consumption includes net errors and omissions.

Services and Other Items (includes services, an addition to electricity supply, Water supply, wholesale and retail trade, transportation and storage, financial and insurance, information and communications, public administration and defense, and households).