

Palestinian Central Bureau of Statistics (PCBS) Press Release: Economic Forecasts for 2010

Economic conditions in the Palestinian Territory improved in 2009 due to economic stability in the West Bank as a result of the economic reformation policies performed by the Palestinian National Authority. This was despite the significant decline witnessed in the Gaza Strip in all economic and social indicators as a result of the political and economic siege imposed in 2009. This press release presents economic developments in the Palestinian Territory during the year 2009, in addition to economic forecasts for 2010, in light of the social and economic changes created by political conditions in the Palestinian Territory.

These predictions have been based on scenarios prepared by specialists from the PCBS, in consultation with academics and economists; each scenario has been built considering the internal political situation, the siege imposed on the Gaza Strip, results of the last Israeli aggression on the Strip, foreign aid, Israeli actions in the Palestinian Territory and the number of Palestinian workers inside Israel.

Economic Conditions During the Year 2009:

Economic conditions in the Palestinian Territory improved in 2009. In general, the economic indicators improved in the West Bank, while Gaza Strip witnessed a significant decline in all economic indicators as a result of the political and economic siege imposed since 2007. At the beginning of 2009 the Gaza Strip witnessed the Israeli war against infrastructure and affecting all the various economic sectors. The following is a presentation of the most important economic indicators in 2009.

Findings indicate an increase in GDP in the Palestinian Territory during 2009 by 6.8% compared with 2008, according to preliminary data at constant prices. There was an increase in the value added of construction by 21.8% in 2009 compared with 2008. Administrative records showed an increase in the number of building licenses issued in the West Bank by 19.0%; in addition, quantities of imported cement increased by 24.0%. This improvement was accompanied by a decrease in the prices of construction materials during the year 2009 by 3.6% compared with 2008, and increasing the percentage of workers in construction activity by 7.3% in 2009 compared with 2008.

The industrial activity improved during 2009 by 5.2% compared with 2008, and the quantity of industrial production increased during 2009 by 10.8% compared with 2008, although the percentage of workers in industrial activity did not change during 2009 compared with 2008.

Services activity which formed 23.9% of GDP increased during 2009 by 11.8% compared with 2008, and the percentage of workers in the services activity increased by 3.1% during 2009 compared with 2008.

Agricultural activity declined during 2009 by 3.1% compared with 2008, which was reflected in the reduction of the percentage of workers employed in agricultural activity by 11.9% during 2009 compared with 2008.

The government revenues increased during 2009, by 0.2% compared with 2008, according to the Ministry of Finance. The revenues earnings during 2009 was US\$1.7 billion. This coincided with the increased level of income for public expenditures, since public expenditure increased by 9.7% compared with 2008.

The unemployment rate decreased in 2009 by 5.8% compared with 2008. On other hand, Price levels increased during 2009: the consumer price index (CPI) increased by 2.75% in 2009 compared with 2008.

Expected Scenarios in 2010

Methodology of scenarios: Scenarios have been prepared based on a set of internal political and economic assumptions during 2009, beginning with the continuation of the economic situation as it was in the West Bank, in addition to the blockade imposed on Gaza Strip. They relied on a database containing a set of economic and social variables in the form of time series statistically treated by advanced statistical programs to ensure the ability to build expectations and various scenarios, in addition to the use of economic theories and equations.

Baseline scenario: This scenario is based on the premise of the continuation of the economic situation in the West Bank as it was during the year 2009 (same level of growth), the continuation of the political and economic embargo imposed on the Gaza Strip, the continuation of donor countries to provide financial support for financing the budget of the Palestinian National Authority, the continuation of the Reform and Development Plan 2008-2010 approved by the Palestinian government, the continued flow of funds for custom revenues through Israel at the same level since 2009, in addition to increasing of value added taxes, and assuming the continued existence of the obstacles placed by Israel on the movement of persons and goods within the Palestinian Territory or the Palestinian Territory and neighboring countries as it was during 2009, with no significant change in the numbers of Palestinian workers inside Israel.

Baseline scenario results expect that an improvement will occur in the economic conditions in 2010 compared with 2009. Real GDP is expected to increase by 4.2%, Real gross national income (GNI) is expected to increase by 3.9% due to increased in GDP in addition to stable of net factor income, while Real gross national disposable income (GNDI) is expected to increase by 5.1% due to increase of GNI mainly. On the other hand this growth is reflected in the indicators of macroeconomic with the assumption that population growth in Palestinian Territory by 2.8% in 2010 is expected to increase GDP per capita, GNI per capita and GNDI per capita, all are expected to increase by 1.3%, 1.1% and 2.2% respectively. Private consumption, private investment, exports and imports are expected to increase by 1.5%, 4.3%, 3.4% and 2.3%, respectively.

Optimistic scenario: This included: the flow of financial assistance for the reconstruction of the Gaza Strip, the full transfer of custom revenues by Israel (Based on the budget 2010), increase in the number of Palestinian workers in Israel. the continuation of the same level of external support in order to support the budget of the National Authority for 2010, and the implementation of investment and development projects in the Palestinian territories.

This scenario expects that a greater improvement will occur in the economic conditions in 2010 compared with 2009. Real GDP is expected to increase by 8.8%, Real GNI is expected to increase by 8.7% due to increased in GDP in addition to increase of net factor income, and real GNDI is expected to increase by 13.8% due to increase of GNI and the effected of transfer from abroad. On the other hand this growth is reflected in the indicators of macroeconomic with the assumption that population growth in Palestinian Territory by 2.8% in 2010 is expected to increase GDP per capita, GNI per capita and GNDI per capita, all are expected to increase by 5.8%, 5.7% and 10.7%, respectively. Private consumption, private investment, exports and imports are expected to increase by 8.4%, 6.5%, 9.0% and 6.9%, respectively.

Pessimistic scenario: This includes the continuing political and economic embargo imposed on the Gaza Strip, the inability to rebuild the Gaza Strip, Deterioration of the political and economic conditions in the city of Jerusalem, including the imposition of restrictions and closures, a decrease of transfers from donor countries, a decrease in the government's ability to collect the funds of local taxes and fees, a decrease the numbers of Palestinian workers inside Israel through existence of the obstacles placed by Israel on the movement of persons and goods within west Bank, In addition to there is no Palestinian employees from the Gaza Strip into Israel.

This scenario expects a dramatic decline in the economic conditions in 2010 compared with 2009. Real GDP is expected to decrease by 6.0%, real GNI is expected to decrease by 5.7%, and real GNDI is expected to decrease by 10.7%. Regarding GDP per capita, GNI per capita and GNDI per capita is expected to decrease by 8.6%, 8.3% and 13.2% respectively, and private investment, exports and imports are expected to decrease by 2.8%, 6.7% and 7.7%, respectively.

**Scenario Results for Main Economic Indicators at constant price
in the Palestinian Territory – 2010**

Indicator	2009*	2010		
		Baseline Scenario	Optimistic scenario	Pessimistic scenario
Total Government Revenues (US\$ M)	1,688.0	1,738.6	2,027.0	1,439.0
Total Government Expenditure (US\$ M)	2,673.0	2,814.6	2,828.0	2,275.0
Government Consumption (US\$ M)	1,828.9	1,967.7	1,980.8	1,797.0
Population (in thousands)	3,702	3,807	3,807	3,807
Percentage of changes (CPI) (%)	2.8	3.0	3.0	3.0
GDP (US\$ M)	5,147.2	5,363.6	5,602.1	4,837.9
GNI (US\$ M)	5,584.9	5,803.4	6,072.7	5,266.0
GNDI (US\$ M)	8,607.0	9,043.1	9,798.3	7,682.7
Private Consumption (US\$ M)	4,416.8	4,484.8	4,787.1	4,022.6
Total Investment (US\$ M)	1,393.5	1,453.7	1,483.8	1,354.6
Exports (US\$ M)	829.9	858.2	904.6	774.1
Imports (US\$ M)	3,369.7	3,448.8	3,602.2	3,110.7
GDP per Capita (\$US)	1,390.3	1,408.8	1,471.5	1,270.8
GNI per Capita (\$US)	1,508.5	1,524.4	1,595.1	1,383.2
GNDI per Capita (\$US)	2,324.8	2,375.3	2,573.7	2,018.0
GDP Growth Rate (%)	6.8	4.2	8.8	- 6.0
GNI Growth Rate (%)	6.4	3.9	8.7	- 5.7
GNDI Growth Rate (%)	5.4	5.1	13.8	-10.7

* Estimated Data

- Base year: 2004

- Palestinian Territory, excluding that part of Jerusalem which was annexed after the 1967 occupation by Israel