

Palestinian Central Bureau of Statistics releases

The economic forecasts for 2008

After the Palestinian economy witnessed a recovery at the beginning of 2003, Palestinian economic conditions again declined in 2006, Palestinian economy starting with development during 2007 compared with 2006. This release presents a brief summary of economic conditions in the Palestinian Territory during 2007, along with forecasts for the main economic indicators in 2008.

These predictions are based on three scenarios. These scenarios were prepared by PCBS and Ministry of Finance experts and Consultation with some academics and economists, Each scenario built upon internal political situation, financial siege, foreign assistance, Israeli measures on the Palestinian Territory, and number of Palestinian workers in Israel.

Evaluation of forecasts 2007, which have been relied upon different in economic situation 2007. For example, scenario basis, and the optimistic scenario supposed that GDP in 2007 will rise by 3.2%, 7.3% respectively as compared with in 2006, but rose by 0.7% in real through in 2007 compared with in 2006. Elsewhere on the base scenario assumed predictions in 2008 that GDP will rise by 0.9% compared with 2007.

Economic Conditions During 2007:

Differing political and economic situation during the year 2007, Continuing formation of the government of Dr. Salam Fayyad during the second half of 2007, in addition to the Palestinian territories were to the unfortunate political events in the Gaza Strip resulted in the imposition of political and economic blockade during the second half of 2007.

Quarterly national accounts showed that real gross domestic product (GDP) increase during 2007 by 0.7% compared with 2006 in the Palestinian Territory. The preliminary estimates at constant prices for the third quarter 2007 shows decreases in the performance of the economy in Remaining West Bank and Gaza Strip. Meanwile the GDP estimates decreased during the third quarter of 2007 by 0.6% compared with the second quarter 2007 based on the first revision for the data, the fourth quarter 2007 shows an increase by 0.8% compared with the third quarter 2007, and showed an increase of 10.8% compared to the fourth quarter of the year 2006 at constant prices.

The estimates refers also to increases in the main economic activities within the available short term indicators for each activity. There were increases in the Agriculture and fishing, Wholesale and retail trade, Transport Storage and Communications, Financial intermediation, Hotels and restaurants, by 2.0%, 8.5%, 2.7%, 3.1%, 1.2% respectively through 2007 compare 2006.

Total government revenues collected during 2007 reached 1.16 billion US dollars with an increase by 1.1% compared with 2006. The reason behind this dramatic increase was the halt of tax (clearance revenues) transfer from the GOI to the PNA. Total government-collected revenues affect total government expenses. Where total government expenses increase by 12 % in 2007 compare with 2006, The reason behind this dramatic increase was the Financial lift the siege imposed on Palestinian territories by allowing the transfer of funds to the Palestinian National Authority following the formation and functioning of the government led by Dr. Salam Fayyad

Expected Scenarios in 2008:

Methodology of scenarios: was preparing scenarios based on a set of assumptions and the internal political and economic during 2007, the beginning constantly Government of National Unity and thus the formation of the government of Dr. Salam Fayyad, in addition to the siege of the Gaza Strip, and was rely on a database containing a set of economic and social variables in the form of time series of the year (1990-2007) was statistically addressed through advanced statistical programs to ensure the ability to build expectations and the various scenarios are true, in addition to the use of economic theories and equations.

Baseline Scenario: Continuing formation of the government of Dr. Salam Fayyad during the second half of 2007, lifting the siege partially, i.e., Israel release some of taxes revenues. In contrast keep political and economic siege imposed on the Gaza Strip, This scenario assumes that foreign assistant at its level in 2007 .Israel continues on its measures in the Palestinian Territory to hinder the movement of people and goods within the Palestinian Territory and between the Palestinian Territory and the neighboring countries, and with no significant changes in the number of Palestinian workers in Israel.

Baseline scenario results expect that a slight improvement will happen to the economic conditions in 2008 compared with 2007. Real GDP is expected to increase by 0.9%, real gross national income (GNI) is expected to increase by 3.0%, and real gross national disposable income (GNDI) is expected to increase by 6.0%. Regarding GDP per capita to decrease and GNI per capita by 2.2%, 0.18% respectively, while GNDI per capita both is expected to increase by 2.7%. Private consumption, private investment, exports and imports are expected to increase by 11.7%,1.0%, 17.1% and 17.5% respectively.

Optimistic Scenario: Financial completely lift the siege, Meaning that Israel transfer revenue regularly during the year 2008, in addition to ending the economic blockade and political from the Gaza Strip, foreign assistance continue at levels of 2007, and Israel facilitates movement of people and goods within the Palestinian Territory and between the Palestinian Territory and the neighboring countries, with a slight increase in the number of Palestinian workers in Israel.

This scenario expects that an obvious improvement will occur in the economic conditions in 2008 compared with 2007. Real GDP is expected to increase by 5.6%, real GNI is expected to increase by 7.3%, and real GNDI is expected to increase by 9.4%. Regarding GDP per capita and GNI per capita, and GNDI per capita is expected to increase by 2.4%, 4.0%, and 6.0% respectively. Private consumption, private investment and imports is expected to increase by 13.3%, 5.7% and 19.3% respectively.

Pessimistic Scenario: Israel's detention of customs revenues and the continuing closures, and reduced financial support from Arab countries, and the continuing external support levels it was in 2007. Decline in the government's ability to collect the funds of local taxes and fees as well as the lack of ability to implement reform and development plan 2008-2010, in addition to the continuing blockade on the Gaza Strip (the value of the losses suffered by the Gaza Strip during the past nine months of siege 400 million dollars), with assuming decline in the number of Palestinian workers inside Israel.

This scenario expects a dramatic decline in the economic conditions in 2008 compared with 2007. Real GDP is expected to decrease by 4.8%, real GNI is expected to decrease by 8.7%, and real GNDI is expected to decrease by 14.0%. Regarding GDP per capita and GNI per capita both are expected to decrease, by 7.8% and 11.5% respectively, and GNDI per capita is expected to decrease by 16.7%. private investment, exports and imports are expected to decrease by 4.0%, 13.2% and 1.6% respectively.

**Scenario results for main economic indicators in
the Palestinian Territory – 2008**

Indicator	2007*	2008		
		Baseline Scenario	Best Scenario	Worst Scenario
Total Government Revenues (\$US m)	1160	1245	1262	939
Total Government Expenditure (\$US m)	2586	2654	2813	2094
Government Consumption (\$US m)	2291	2368	2403	1795
Population (in thousands)	3762	3882	3882	3882
Percentage of changes (CPI) (%)	2.7	7.0	3.8	3.8
GDP (\$US m)	4135.8	4175.0	4368.5	3936.0
GNI (\$US m)	4629.8	4769.2	4968.5	4226.0
GNDI (\$US m)	5967.3	6323.6	6525.5	5131.0
Private Consumption (\$US m)	2894.4	3234.0	3278.8	3257.0
Private Investment (\$US m)	1143.0	1154.0	1208.2	1097.1
Exports (\$US m)	397.4	465.3	571.5	344.8
Imports (\$US m)	2605.0	3061.2	3107.9	2562.7
GDP per Capita (\$US)	1099.5	1075.5	1125.3	1014.0
GNI per Capita (\$US)	1230.8	1228.6	1279.9	1088.7
GNDI per Capita (\$US)	1586.4	1629.0	1681.0	1321.8
GDP Growth Rate (%)	0.7	0.9	5.6	-4.8
GNI Growth Rate (%)	2.5	3.0	7.3	-8.7
GNDI Growth Rate (%)	10.1	6.0	9.4	-14.0

* Estimated Data