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**The Palestine Monetary Authority and The Palestinian Central Bureau of Statistics**

**The Performance of the Palestinian economy during 2021, as well as the economic forecasts for the year 2022**

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 2021 along with the economic forecasts for 2022; a joint publication that represents the continuous efforts of the two institutions. It is worth mentioning that this data )at constant prices) excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967.

**The Performance of the Palestinian Economic in 2021**

**The Palestinian economy started to gradually recover in light of the breaking of the epidemic curve of the COVID-19 pandemic, while remaining below its pre-pandemic level despite the almost complete cessation of external support.**

The Palestinian economy began to recover gradually in light of the breaking of the epidemiological curve of the COVID-19 pandemic and despite the almost complete cessation of external support. The Palestinian economy recorded an increase of 6% during the year 2021 driven by the improvement in the level of aggregate demand, consumption and investment, while remaining below its pre-pandemic level, which led to an increase in the GDP per capita by 3.5%.

As for the quarterly level, where the first quarter of 2021 witnessed a decline in GDP by 6% compared to the same period of 2020, and as a result of easing the severity of the measures resulting from the pandemic, the second quarter recorded a remarkable increase of 19%. Such increase will continue during the third quarter of 7%. It is also estimated that this recovery will continue through the fourth quarter of the same year.

**An increase in the value added of most economic activities**

Most economic activities witnessed an increase in the value added during the year 2021 compared to the year 2020. Accordingly, the construction activity recorded the highest growth value added by 8%, and the industry activity grew by 5.5%, followed the services activity, which increased by 5% during 2021, while the agricultural activity witnessed a decrease of 3%.

**Increasing the levels of domestic demand**

The levels of domestic aggregate demand during 2021 witnessed a remarkable improvement, as the aggregate consumption in Palestine, in both public and private sectors, increased by 5.5%, and aggregate investment by 12.5% compared to the previous year.

**A rise in the trade balance deficit, an increase in the volume of trade exchange with the outside world, and a rise in imports and exports to and from Palestine.**

In terms of the foreign trade movement in Palestine, which is represented in total exports and imports, the initial estimates indicated an increase in the value of exports by 13% compared to 2020. The value of imports increased by 11% during the same period, which led to a rise in the trade balance deficit by 10% compared to the previous year.

**An increase of consumer prices during the year 2021**

According to preliminary estimates, and as a result of the increase of the prices of raw materials and shipping, the average of overall consumer prices index in Palestine recorded an increase of 1.2% during 2021 compared with 2020.

**Expectations of a slowdown in the growth of the Palestinian economy during 2022**

Palestine Monetary Authority (PMA) and the Palestinian Central Bureau of Statistics (PCBS) also issued two reports on the economic forecasts for 2022 that are now available on PCBS and PMA websites. Accordingly, those reports forecasted the main indicators of the Palestinian economy for 2022. The results of this scenario were reached by assuming the continuation of the gradual return of the Palestinian economic activity to its level prior the health crisis of COVID- 19 pandemic, in light of the expectation that the health situation will continue to stabilize. In addition, there would be no serious changes on the existing political situation with the Israeli side, and the assumption that the financial situation of the Palestinian government would continue to be difficult in light of the continued deduction of additional part of the clearance revenues by the Israeli side, as well as the continued abstention of some donor countries from providing aid and grants. This situation has been reflected in the main assumptions used in constructing the forecasts.

* At the Real Sector, it was assumed that some indicators that affect the levels of aggregate consumption and investment will continue to improve, in light of the cession of the uncertainty associated with the COVID-19 pandemic.
* Regarding the fiscal sector, it was assumed that the financial situation of the Palestinian government will continue to be difficult in light of the continued deduction of an additional part of the clearance revenues by the Israeli side and the continued abstention of some donor countries from providing aid and grants.
* As for the external sector, the Israeli side continues to impose restrictions on the movement of individuals and internal trade, and the persistence of obstacles to import and export movement in the West Bank and Gaza Strip.
* In the labour sector, assumptions indicate a growth in the levels of employment and local employment, where the number of Palestinian employees in Israel at a rate close to its growth rate during previous years. Thus, the stability of the growth rate of financial compensation of employees in Israel.
* The continued flow of current transfers to the private sector, based on estimates of their growth in 2021.
* As for the monetary sector, it was assumed that the growth of credit facilities provided to the private sector has been the same level in the previous year. With the increasing amount of funding provided to productive, service and pioneering economic projects through the Estidama Fund.

According to these assumptions, economic forecasts indicate that the Palestinian economy will a possibility for achieving a real growth during 2022 approximately by 3%, compared to estimate growth of 6% in 2021, with a slight increase in GDP per capita during 2022 compared to 2021, provided that this performance will be driven by the continued recovery of components on both the demand and supply sides. On the demand side, it is expected that overall consumption levels will continue to improve, to contribute by 2.2% to the expected growth, and investment by 2.3%. As for the external sector, it is expected that exports will contribute by 0.8%, and it is expected that the levels of demand for imports will rise in light of the improvement in consumption levels. Therefore, imports are likely to contribute to dampening the growth rate by about 2.1%.

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