Palestinian Central Bureau of Statistics (PCBS) and

The Palestine Monetary Authority (PMA(

The Deficit in Current Account is USD 1,778 Million

of the Palestinian Balance of Payments in Year 2021

The Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA) announced the preliminary results of the Palestinian Balance of Payments (Bop) for the year 2021 under the joint issuance cycle. It should be noted that the data excludes those parts of Jerusalem, which were annexed by Israeli occupation in 1967.

**The deficit in trade balance of goods is the main reason behind the current account deficit**

An incessant deficit in the Current Account (goods, services, income, current transfers) which totaled USD 1,778 million. Mainly triggered by the deficit of the Trade Balance of Goods, which reached USD 6,014 million, as well as the deficit in Services Balance, which amounted to USD 940 million.

**The compensations of employees working in Israel are the main reason behind the income account surplus**

The surplus in Income Account (compensations of employees and investments income) amounted to USD 3,627 million in year 2021. This surplus was due to compensations of the employees working in Israel, which reached USD 3,460 million. As for the received investments income, it amounted to USD 264 million; and was mainly caused by the income received on the portfolio investments abroad, in addition to the income on other investment (interest on deposits in particular).

**The current transfers from abroad to other (non-government) sectors are the main reason behind the current transfers surplus**

The Current Transfers achieved a surplus value amounted to USD 1,549 million in year 2021. where the current transfers for the government sector constituted 18% of the total transfers from abroad, while the percentage of the transfers to other sectors reached 82%. The donors’ current transfers constituted 15% of total transfers from abroad.

The preliminary results showed a surplus value for the Capital and Financial Account amounted to USD 1,853 billion, the surplus in the Capital and Financial Account was mainly caused by the surplus in Financial Account which amounted to USD 1,381 million. There was an increase in the reserve assets at PMA amounted to USD 174 million in year 2021, compared to an increase of USD 37 million in year 2020.

It is worth mentioning that the Balance of Payments (BoP) is used to determine the economic position of a country compared to other countries worldwide, and to calculate the size of its external debt. This data enables researchers and decision makers to devise informed economic policies and development plans to improve their external balance to guarantee the stability of the state and sustain the economic growth. BoP data was prepared according to the latest international recommendations taking into account the specificity of the Palestinian situation.

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| Table 1: Balance of Payments In Palestine\* for the Years 2020 , 2021 |
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| (Value in million USD) |  |  |
| Indicator | 2020 | 2021 |
| Current account (net) | -1,903.2 | -1,778.3 |
|  Goods (net) | -4,775.1 | -6,014.3 |
|  Exports (fob) | 1,723.9 | 2,299.2 |
|  Imports (fob) | 6,499.0 | 8,313.5 |
|  Services (net) | -905.4 | -940.0 |
|  Exports | 661.3 | 841.0 |
|  Transportation services  | 6.9 | 5.4 |
|  Travel services  | 464.7 | 614.5 |
|  Communications services | 13.7 | 16.2 |
|  Insurance services | 0.3 | 0.0 |
|  Other business services | 14.0 | 15.6 |
|  Government services | 23.5 | 30.1 |
|  Others\* | 138.2 | 159.2 |
|  Imports | 1,566.7 | 1,781.0 |
|  Transportation services | 227.0 | 301.4 |
|  Travel services | 1,140.5 | 1,239.9 |
|  Communication services | 11.0 | 9.0 |
|  Insurance services | 35.7 | 44.8 |
|  Other business services | 112.9 | 148.6 |
|  Government services | 31.7 | 23.7 |
|  Others\*\* | 7.9 | 13.6 |
|  Income (net) | 2,492.3 | 3,627.3 |
|  Receipts  | 2,651.6 | 3,770.7 |
|  Compensation of employees | 2,434.5 | 3,506.4 |
|  Of which from Israel | 2,407.7 | 3,459.8 |
|  Investment income  | 217.1 | 264.3 |
|  Payments | 159.3 | 143.4 |
|  Current transfers (net) | 1,285.0 | 1,548.7 |
|  Inflows  | 1,700.2 | 2,193.5 |
|  To the government sector | 422.4 | 405.0 |
|  of which from Donors transfers | 266.3 | 159.6 |
|  To the other sectors | 1,277.8 | 1,788.5 |
|  of which from Donors transfers | 114.1 | 162.8 |
|  Outflows | 415.2 | 644.8 |

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| Table 1 (Cont.): Balance of Payments In Palestine\* for the Years 2020, 2021 |
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| (Value in million USD) |  |  |
| Indicator | 2020 | 2021 |
| Capital and financial account (net) | 1,334.2 | 1,853.1 |
|  Capital account (net) | 431.4 | 472.0 |
|  Capital transfers (net) | 431.4 | 472.0 |
|  Inflows | 431.4 | 472.0 |
|  To the government sector | 208.4 | 183.1 |
|  of which from Donors transfers | 208.4 | 183.0 |
|  To the other sectors | 223.0 | 289.0 |
|  Outflows | 0.0 | 0.0 |
| Acquisition / disposal of non-Produced, non-financial assets non-financial assets (net) | 0.0 | 0.0 |
|  Financial account (net)\*\*\*\* | 902.8 | 1,381.1 |
|  Foreign Direct investment (net) | 138.8 | 295.5 |
|  Change in investment abroad (net) | 59.1 | -58.0 |
|  Change in investment in Palestine (net) | 79.7 | 353.5 |
|  Foreign Portfolio investment (net) | 69.1 | 86.7 |
|  Change in Assets (net) | 98.1 | -82.4 |
|  Change in Liabilities (net) | -29.0 | 169.1 |
|  Foreign Other investment (net) | 732.1 | 1,173.3 |
|  Change in Assets (net) | 635.5 | 1,014.2 |
|  Of which Loans to nonresidents | 50.9 | 70.8 |
|  Of which Currency and deposits\*\*\*\*\* | 602.5 | 1,057.9 |
|  Change in Liabilities (net) | 96.6 | 159.1 |
|  Of which Loans nonresidents | 134.3 | 56.0 |
|  Of which Currency and deposits\*\*\*\*\*\* | -21.9 | 96.0 |
| Net errors and omissions | 569.0 | -74.8 |
| Overall balance | 37.2 | 174.4 |
| Financing  | -37.2 | -174.4 |
| Exceptional financing | 0.0 | 0.0 |
| Change in Reserve assets (- = Increase/+= decrease) | -37.2 | -174.4 |

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| \*The data excludes those parts of Jerusalem, which were annexed by Israel in 1967. |
| \*\* Include insurance, financial, information and computer, royalties and licenses, and personal cultural recreational services. |
| \*\*\* Include financial, construction, information and computer, royalties and licenses fees, insurance services. |
| \*\*\*\* Include reserve assets |
| \*\*\*\*\* Currency and deposits: Including the cash of foreign currency in the banks and the deposits of the Palestinian institutions deposited abroad  |
| \*\*\*\*\*\* Currency and deposits : Includes the deposits of non-residents deposited in Local banks |

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| Table 2: Financial Account, 2021 |
| (Value in million USD) |  |  |  |
|  Item | Inflows (Decrease in assets) | Outflows (Increase in assets) | Net Flows |
|  Total Change in Assets  | 4,749.9 | 4,050.5 | 699.4 |
|  Change in Foreign Direct Investment Abroad | 0.0 | 58.0 | -58.0 |
|  Of Which Equity Capital | 0.0 | 51.8 | -51.8 |
|  Change in Foreign Portfolio Investment | 162.8 | 245.2 | -82.4 |
|  Of Which Debt Securities | 132.7 | 195.4 | -62.7 |
|  Change in Foreign Other Investment | 4,474.8 | 3,460.6 | 1,014.2 |
|  Of Which Loans lended | 85.4 | 14.6 | 70.8 |
|  Of Which Currency and deposits\* | 4,389.4 | 3,331.5 | 1,057.9 |
|  Change in Reserve Assets (- = Increase/ + = decrease)\*\* | 112.3 | 286.7 | -174.4 |
|   | Inflows (Increase in liabilities) | Outflows(Decrease in liabilities) | Net Flows |
| Total Change in Liabilities  | 947.4 | 265.7 | 681.7 |
|  Change in Direct Investment in Palestinian Territory | 376.5 | 23.0 | 353.5 |
|  Of Which Equity Capital | 302.2 | 23.0 | 279.2 |
|  Change in Foreign Portfolio Investment | 182.1 | 13.0 | 169.1 |
|  Of Which Equity Securities | 182.1 | 13.0 | 169.1 |
|  Change in Foreign Other Investment | 388.8 | 229.7 | 159.1 |
|  Of Which Loans Borrowed | 78.3 | 22.3 | 56.0 |
|  Of Which Currency and deposits \*\*\* | 303.4 | 207.4 | 96.0 |
| Financial account \*\*\*\* | 5,697.3 | 4,316.2 | 1,381.1 |

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| \* Currency and deposits: Including the Cash in Foreign Currency in the Banks and the Deposits of Palestinian Institutions Deposited Abroad  |
| \*\* Change in Reserve Assets Includes the Change in the Stock Value of the Foreign Exchange That PMA Keep as Reserves for Balance of Payments Purposes  |
| \*\*\* Currency And Deposits : Includes the Deposits of Non-residents Deposited in Local Banks  |
| \*\*\*\* Financial Account: Net Flows of Change in Assets and Liabilities. Also it Equals the Difference Between Total of Inflows and Total of Outflows for Both Assets and L inabilities. |
| Notes: |
| - The negative sign in The value of Net Flows means increasing in assets and decreasing in liabilities. Meanwhile The positive sign means decreasing in assets and increasing in liabilities. |
| - It could be noticed a little differences when comparing with data of financial account in table 1 according to integers |