

Palestinian Central Bureau of Statistics (PCBS)

Press Report Of Economic Forecasting For 2013

Ms. Ola Awad, President of the Palestinian Central Bureau of Statistics, has reviewed the performance of the Palestinian economy during the first three quarters of 2012, as well as the economic forecasts for the year 2013.

The Palestinian Economy Performance through the First Three Quarters of 2012

Gross Domestic Product (GDP):

The gross domestic product recorded an increase by 6.1% through the first three quarters of 2012 compared to the same period of 2011, (5.5% in the West Bank and 7.7% in Gaza Strip). The growth concentrated in the main economic activities as the highest contributors for the gross domestic product included construction, wholesale-retail trading, transportation, storage, communication, services, public management and defense where the services sector recorded the highest growth rate through that time by 10.2%.

Growth GDP per capita through, 2012:

The GDP per capita increased 2.9% through the first three quarters of the year 2012 compared to the same period of 2011.

An increase in the number of employed:

The gross number of the employed increased through the first three quarters of the year 2012, by 3.3% compared to the same period of 2011 , as a result of an increase in the number of employed in sectors of , construction ,services and industry in the Palestinian territory .

An increase in unemployed through the first three quarters of 2012:

The unemployed percentage in the Palestinian territory through the first three quarters of 2012 was 23.0%, compared to 20.9% for the same period of 2011. As it increased in the West Bank from 17.5% to 19.2% and increased in Gaza Strip from 28.1% to 30.6%.

Employed in Israel and the settlements:

The rate of the Palestinian employed in Israel and settlements through the first three quarters of 2012, slightly decreased as it reached 9.6 % compared to about 10.1% in 2011.

An increase in the registered imports and exports through the first three quarters of the year 2012.

As for the movement of foreign trade in Palestine that represented in the gross of exports and imports, the first three quarters of the year 2012 witnessed an increase of the export size with a rate of 0.5% compared to the same period of 2011, compared to an increase in imports with percentage of 0.1% compared to the same period of 2011.

Prices

The consumer prices increased through the period of the beginning of the year 2012, to the end of September of the same year, with a rate of 2.9% compared to the same period of 2011, that caused a decrease of purchasing power of money .

The Construction Sector Constitute 14.4% of the Gross Domestic Product GDP:

The value added for the construction sector increased by 9.3% through the first three quarters of 2012, the administration records showed an increase in building license issued in Palestinian territory by 5.4%, on the other hand the prices of the construction material increased by 1.2% compared to the same period of 2011. The gross number of employed in the construction sector has increased through the first three quarters of the year 2012, by 6.1% compared to the same period of 2011.

Palestinian economy is considered to be a service economy:

The services sector constituted the highest rate of the Gross Domestic Product, compared to other sectors, and this sector witnessed a growth in the product through the first three quarters of 2012, by 10.2% compared to the same period of 2011, accompanied with increase in employed number in the same sector by 2.9%.

Industrial Sector forms 11.9% of the Gross Domestic Product:

The industrial sector witnessed a growth through the first three quarters of the year 2012, by 3.0% compared to the same period of 2011, accompanied by an increase of the number of employed in the same sector by 1.3%.

The agricultural activity is 4.6% of the Gross Domestic Product:

The agriculture sector production decreased by 10.6% through the first three quarters of the year 2012 compared to the same period of 2011, accompanied by an increase of the total number of workers in the same sector by 5.0%.

The number of hotel in West Bank guests increased through the first three quarters of the year 2012 compared to the same period of the year 2011.

The total number of hotel guests was around 418 thousand guest through the first three quarters of 2012 with a increased rate of 13.7% compared to the same period of the year 2011, where they spend 966 thousand stay nights. The number of the workers in West Bank hotels was 2,417 workers through the first three quarters of the year 2012 while their number through the same period of the year 2011 was 2,059 workers.

Economic Forecasting, 2013

Those forecasts were built based on a set of scenarios in consultation with some local and international economists where each scenario was built depending on the internal political situations, the siege imposed on Gaza Strip, foreign aid, Israel's measures in the Palestinian territories and the number of Palestinian workers inside Israel in addition to a group of economic and social variables.

We would like to note that all indicators of economic forecasts are at fixed prices (base year 2004), also the data don't include that part of Jerusalem governorate which was forcefully annexed by Israel right after its occupation in 1967 (Jerusalem J1).

1. Base Scenario:

This scenario is based on the assumption that the economic and political situations in the Palestinian territory will remain the same as it was through the year 2012. Assuming that donor countries will continue to provide the financial support for financing the central government budget, the same levels in 2012, and the fluctuation flow of money genperiodted of costume revenues from Israel. The Palestinian National Authority is to continue to adopt a package of financial procedures that is capable of decreasing the deficit of public budget. Such an assumption can be achieved by the increase of the collection of income tax by 7.0% and value added by 9.0% compared to 2012. Moreover, assuming that the number of employed in the public sector will increase by 1.0%, and the continued of the presence of obstacles placed by Israel on the movement of people and goods inside the Palestinian territories or between the Palestinian territories and the neighboring countries as it was through the 2012, in addition to the natural growth of population inside the Palestinian territories.

Outputs of Base Scenario:

Real Sector:

It is expected that the Gross Domestic Product will increase by 5.5% through 2013 and GDP per capita will increase by 2.6%., the gross consumption will increase by 9.3% (private and public consumption), total investment by 0.2%.

Financially:

A decrease of the central government budget deficit of by 10.5% is expected, as a result improvement in tax collection. It is expected also that the gross government revenues will increase by 12.6% with an increase of government expenses by 5.1%.

Work and Workers:

A stability in the unemployment rate in the Palestinian territories is expected, it is expected that the unemployed rate through the year 2013 will reach 23.1% after it was 23.0%. as well as, the number of employees in the Palestinian territories will increase by 3.9%.

The External Sector:

An increase by 21.8% in the deficit of the net external current account of the Palestinian territories is expected. The net foreign current account composes of trade balance, net external transfers and foreign net income. An increase by 13.9% in the trade deficit is expected. That is due to the expected increase in Palestinian imports value by 9.6%. It is also expected that the foreign net income will increase by 17.5%. The gross real national income will increase by 6.5%. Also it is expected that the gross disposable national income will increase by 6.0%.

2. The Optimistic Scenario:

This scenario is based on the improvement of the economical and political conditions in the Palestinian territories, where assistances provided by donor countries are expected to increase by 20.0% and the continued of transfer of tax revenues (tax clearance) in regular basis. This scenario also suggests that the freedom of movement for people and goods inside the Palestinian territories, or between the Palestinian territories and neighboring countries, and the increase of the number of employed in Israel which allows the Palestinian national authority to arrange procedures that will lead to expand its financial policy in one hand, and in a another, to improve its tax collection capacity (income tax and value added tax). Expansionary policy includes an increase in the size of governmental investments by 8.0%, the improvement of infrastructure and the increase of governmental transfers by 15.0% which in turn supports poor households in the Palestinian territories with the assumption that employment in the public sector will increase by 2.0%. In addition, the scenario suggests an increase of the credit facilities, as well to the natural population growth in the Palestinian territories.

The Outputs of the Optimistic Scenario:

Real sector:

It is expected that the Gross Domestic Product will increase by 10.9% though the year 2013, and GDP per capita will increase by 7.8%. as well as the gross consumption will increase by 12.4% (private and public consumptions). With the assumption of an increase in the governmental investment, the credit facilities and in addition to the stable political and economic conditions seen in the Palestinian territories thus; creating appropriate investment environment for investors in the private sector, it is expected that the gross investment will increase by 4.6%.

Financially:

It is expected that the deficit in the central government budget will be increased by 5.1% as result of expand its financial policy. Thus; an increase of gross governmental revenues by 13.6% is expected with an increase of 10.9% in governmental expenses.

Work and Workers:

It is expected that the number of employed in the Palestinian territories will increase by 8.7%, the unemployment rate in the Palestinian territories is expected to drop down. And that as a consequent of an increase in the number of employed in the Palestinian territories resulting from freedom of movement from and to the Palestinian territories, in addition to the increase in the size of public and private investments, and an increase of the number of employed in Israel. It is expected that the unemployed rate through the year 2013 will reach 20.6% after it was 23.0%.

The external sector:

It is expected that the deficit in the foreign net current account of the Palestinian territories will decrease by 12.1%. It is also expected that the foreign net income will increase by 43.0% which was directly reflected on the net deficit of the external current account, and that as result of assuming the increase of employed numbers in Israel, in addition to the freedom of movement for individuals and goods from and to the Palestinian territories. Therefore; the real gross national income will increase by 13.6%. The gross disposable national income is expected to increase by 14.9%.

3. The Pessimistic Scenario (the least stringent):

It has been assumed that the political and economical situations will deteriorate where tax evasion will increase and collection of income and value added tax will decline by (15%, 10%) respectively. A decline of government transfers, fluctuation in tax revenues (tax clearance) transfers, by Israel freezing

it for various periods through 2013 without paying the arrears due to the freeze. But over the period, we assume a transfer of about 60.0% of tax receivables. In return, however; external support will increase to cover part of current expenditures (salaries and wages). Increase of barriers on the movement of people and goods inside Palestinian territories or between Palestinian territories and neighboring countries.

The Outputs of the Pessimistic Scenario (the least stringent):

Real sector:

It is expected that the Gross Domestic Product will decrease by 2.9% through the year 2013 and GDP per capita will decrease by 5.6%. As well as the gross consumption will increase by 5.2%. The consumption per capita is also expected to increase by 2.0%. With the assumption of a decrease in gross investment by 2.6%.

Financially:

It is expected that the deficit in the budget will increase by 28.3%, where government revenues will decrease by 26.6%, also it is expected that the government expenditure will decrease by 8.8%.

Work and Workers:

An increase in the rate of unemployment in the Palestinian territories is expected, due to the clause and barriers imposed on people and goods movement from and to Palestinian territories, and the assumed decrease of private and public investments, and the decrease of workers in Israel, it is expected that the unemployment rate will reach 25.0% through 2013 compared to 23.0%, and the number of employed is expected to slightly increase in the Palestinian territories by 1.7%.

External Sector

An increase in the deficit of the net foreign current account of Palestinian territories is expected by 47.4%, an increase in the trade Balance deficit also is expected to reach 19.6%, the foreign net income will decrease by 8.6%, due to the supposed decrease in the workers number in Israel, in addition to the increase of barriers imposed in the Palestinian territories, so the rate of net gross national income will decrease by 3.4%, and the gross disposable national income will decrease by 2.5%.

4. Pessimistic Scenario (the most stringency)

It is supposed that the political and economical status will severely deteriorate, due to a collection of economical and political factors, increase in tax evasion and decline income and the value added tax collection, halt of the government investments, and decrease in the government transfers, and freezing tax income (tax clearance) by Israel, and transfer about 30.0% from that taxes, in addition to the increase of barriers on people and goods movement in the Palestinian Territories, or between Palestinian territory and the neighboring countries, severely compared to pessimistic Scenario (less stringency), a decrease in the number of workers.

Pessimistic Scenario (the most stringency) outputs:

The Real Sector:

The gross domestic production is expected to decrease by 14.5% in 2013 and GDP per capita will decrease by 16.8%, the consumption per capita is also expected to decrease by 6.5%, which in turn increases the poverty rate among individuals in the Palestinian territories, and the gross investment is expected to decrease by 4.5%.

Financially:

An increase in budget deficit is expected, so the government revenue will decrease by 54.0%, this is due to the assumption of freezing the taxation (Tax Clearance) by Israel, a decrease in government expenditure is expected by 37.0%.

Work and workers:

The rate of the unemployment in Palestinian territories is expected to increase, this is due to a decrease in the number of employed in the Palestinian territories as a result of closure and barriers imposed on the movement of goods and people from and to the Palestinian territories, and the assumption of a decrease in the size of private and public investments, and the decrease of the number of workers in Israel. The rate of unemployment is expected to reach 27.0% through 2013 compared to 23.0 in 2012. Also the number of employed in the Palestinian territories is expected to decrease by 1.7%.

External sector:

It is expected that the deficit in the gross foreign current account of Palestinian territories will increase by 50.3%, an increase in Trade Balance Deficit rate is expected, due to the expected increase in Palestinian imports by 12.4% and decrease of exports by 7.6%. The foreign net income will decrease by 17.1% due to the assumption of workers decrease in Israel, in addition to the imposed closures in Palestinian territories. The actual gross national income will decrease by 14.7% as the gross disposable national income will decrease by 12.3 %.

**The most significant outputs of economic forecasting, according to the assumed scenarios in
Palestinian territories, for the year 2013.**

The most important indicators	*2012	2013(1)	2013(2)	2013(3)	2013(4)
Gross Domestic Product (GDP)(million Dollar)	6643.6	7009.0	7368.9	6452.3	5682.4
Gross Domestic Product (%)		5.5	10.9	2.9-	14.5-
GDP per capita(Dollar)	1644.7	1687.1	1773.8	1553.1	1367.8
GDP per capita (%)		2.6	7.8	5.6-	16.8-
Gross consumption (million Dollar)	8383.2	9166.0	9420.7	8817.9	8059.1
Rate of the change in gross consumption		9.3	12.4	5.2	3.9-
Gross Investment (Million Dollar)	1286.1	1288.7	1344.9	1252.2	1227.8
Gross investment (%)		0.2	4.6	2.6-	4.5-
Trade Balance (Million Dollar)	3025.7-	3445.7-	3396.7-	3617.8-	3604.6-
Trade balance (%)		13.9	12.3	19.6	19.1
Gross exports (Million Dollar)	1024.2	993.8	1025.2	960.1	946.7
Gross export (%)		3.0-	0.1	6.3-	7.6-
Gross Imports(Million Dollar)	4049.9	4439.4	4421.9	4577.9	4551.3
Gross Imports (%)		9.6	9.2	13.0	12.4
Value Added of industrial sector(Million Dollar)	596.8	578.2	602.2	570.4	510.2
The percentage value added in the industrial sector of GDP		8.2	8.1	8.8	9.0
Value Added of services sector(Million Dollar)	4139.6	4340.2	4556.3	4447.0	4203.0
The percentage value added in the services sector of GDP		61.9	61.8	68.9	74.0
Value added of agricultural sector (Million Dollar)	371.0	290.9	347.2	247.2	168.2
The percentage value added value in agricultural sector of GDP.		4.2	4.7	3.8	3.0
Value added of construction sector (Million Dollar)	667.3	759.8	853.8	723.6	602.6
The percentage value added of the construction sector of GDP.		10.8	11.6	11.2	10.6
Gross National income (Million Dollar)	7241.9	7712.3	8224.3	6999.2	6178.3
Gross National income (%)		6.5	13.6	3.4-	14.7-
Goss Disposable National Income(Million Dollar)	8383.0	8887.6	9634.7	8174.5	7353.7
Goss Disposable National Income (%)		6.0	14.9	2.5-	12.3-
Unemployment rate	23.0	23.1	20.6	25.0	27.0
Workers number in thousand (included workers in Israel and settlements)	810	842	880	824	796
Change in workers ' number" (%)		3.9	8.7	1.7	1.7-
The real Avperiodge Daily Wage per employee(Dollar)	16.6	16.0	16.2	16.0	15.8
The real avperiodge daily wage per employee (%)		3.6-	2.4-	3.6-	4.8-

- 1. The base scenario**
- 2. The optimistic scenario**
- 3. The pessimistic scenario (the less stringency)**
- 4. The pessimistic scenario (the most stringency)**
 - **Preliminary estimations.**