

Palestinian Central Bureau of Statistics (PCBS)

Press Report Of Economic Forecasting For 2014

Ms. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS), has reviewed the performance of the Palestinian economy during the first three quarters of 2013, as well as the economic forecasts for the year 2014.

The Palestinian Economy Performance during the First Three Quarters of 2013

Gross Domestic Product (GDP):

The gross domestic product recorded 2.1% increase through the first three quarters of the year 2013 compared to the same period of the year 2012, as 0.8% in the West Bank and 6.0% in Gaza Strip, The growth through the first three quarters of the year 2013 concentrated in the main economic activities as the highest contributors for the gross domestic product included construction, industry, communication, services, public management and defense where the industrial sector recorded the highest growth rate through that time by 10.5% compared to the same period of the year 2012 .

GDP per capita:

The GDP per capita has decreased 0.9% through the first three quarters of the year 2013 compared to the same period of the year 2012 while the GDP per capita has decreased by 1.9% in the West Bank and increased by 2.4% in Gaza Strip compared to the same period of the year 2012 .

Increase in the number of employed:¹

The gross number of the employed has increased through the first three quarters of the year 2013, by 3.5% compared to the same period of 2012, and that as a result of an increase in the number of employed in the sectors of ; construction ,services and industry in Palestine.

Employed in Israel and the settlements:

The rate of the employed from Palestine in Israel and settlements through the first three quarters of the year 2013, increased as it reached 11.1% compared to about 9.6% in the year 2012, with an average of daily wage 172.9 new Israeli Shekel.

The unemployment rate through the first three quarters of the year 2013:

The unemployed rate in Palestine through the first three quarters of the year 2013 was 22.7%, compared to 23.0% for the same period of 2012. As it decreased in West Bank from 19.2% to 18.7% and decreased in the Gaza Strip from 30.6% to 30.5%.

¹ The number of the employed excluding workers in Israel and settlements.

An increase in the registered exports through the first three quarters of the year 2013.

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 2013 have witnessed an increase of the export by 7.2% compared to the same period of the year 2012, compared to a decrease in imports by 3.3% compared to the same period of the year 2012.

Prices

The consumer prices has increased by 1.6% through the period of the beginning of the year 2013, to the end of September of the same year, compared to the same period of the year 2012.

The Construction Sector Constitute 15.4% of the Gross Domestic Product GDP:

The value added for the construction sector increased by 9.3% through the first three quarters of the year 2013 compared to the same period of 2012 , the administration records show an increase in building license issued in Palestine by 14.0%, The gross number of employed in the construction sector has increased through the first three quarters of the year 2013, by 12.0% compared to the same period of 2012.

Palestinian economy is considered as a service economy:

The services sector constitute 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 the year 2013, by 3.7% compared to the same period of 2012, accompanied with increase in employed number in the same sector by 1.9%.

Industrial Sector forms 12.9% of the Gross Domestic Product:

The industrial sector witnessed a growth through the first three quarters of the year 2013, by 10.5% compared to the same period of 2012, accompanied by an increase of the number of employed in the same sector by 9.2%.

The agricultural activity is 4.2% of the Gross Domestic Product:

The agriculture sector production has decreased by 8.0% through the first three quarters of the year 2013 compared to the same period of the year 2012, accompanied by a decrease of the total number of workers in the same sector by 3.8%.

Economic Forecasting, 2014

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 Palestine 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 constant 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:²

This scenario is based on the assumption that the economic and political situations in the Palestine will remain the same as it was through the year 2013. Assuming that donor countries will continue to provide the financial support for financing the central government budget, the same levels in 2013, and the continue flow of money generated of costume revenues from Israel. Palestine State 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 8.0% compared to 2013. Moreover, assuming that the number of employed in the public sector will be constant, and the continued of the presence of obstacles placed by Israel on the movement of people and goods inside Palestine or between Palestine and the neighboring countries as it was through the 2013, in addition to the natural growth of population inside Palestine.

Outputs of Base Scenario:

Real Sector:

It is expected that the Gross Domestic Product will increase by 3.8% through 2014 and GDP per capita will increase by 0.8%, the gross consumption will increase by 5.0% (private and public consumption), total investment by 3.0%.

Financially:

A decrease of the central government budget deficit by 11.0% is expected, as a result improvement in tax collection. It is expected also that the gross government revenues will increase by 10.0% with an increase of government expenses by 3.7%.

Work and Workers:

A decrease in the unemployment rate in Palestine is expected, it is expected that the unemployed rate through the year 2014 will reach 22.0% after it was 23.0%. as well as, the number of employees in the Palestine will increase by 6.3%.

The External Sector:

An increase by 7.7% in the deficit of the net current account of Palestine is expected. The net current account composes of trade balance, net transfers and net factor income. An increase by 6.9% in the trade deficit is expected. The Palestinian imports value will increase by 7.5%. It is also expected that the net factor income will increase by 15.9%. The gross real national income will

² the assumptions from the finance ministry is primary assumptions .

increase by 4.8%. Also it is expected that the gross national disposable income will increase by 4.3%.

2. The Optimistic Scenario:

This scenario is based on the improvement of the economical and political conditions in Palestine, 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. Reduce the restriction on the movement for people and goods inside the Palestine, or between the Palestine and neighboring countries, and the increase of the number of employed in Israel which allows Palestinian State 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 9.0%, the improvement of infrastructure and the increase of governmental transfers by 10.0% which in turn supports poor households in Palestine with the assumption that employment in the public sector will increase by 2.0%, as well to the natural population growth in Palestine.

The Outputs of the Optimistic Scenario:

Real sector:

It is expected that the Gross Domestic Product will increase by 7.4% though the year 2014, and GDP per capita will increase by 4.2%. as well as the gross consumption will increase by 7.0% (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 Palestine thus; creating appropriate investment environment for investors in the private sector, it is expected that the gross investment will increase by 6.4%.

Financially:

It is expected that the deficit in the central government budget will be decreased by 11.4%. Thus; an increase of gross governmental revenues by 11.8% is expected with an increase of 4.9% in governmental expenses.

Work and Workers:

It is expected that the number of employed in the Palestine will increase by 9.8%, the unemployment rate in the Palestine is expected to drop down. And that as a consequent of an increase in the number of employed in Palestine resulting from freedom of movement from and to Palestine, 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 2014 will reach 19.0% after it was 23.0%.

The external sector:

It is expected that the deficit in the foreign net current account of the Palestine will decrease by 21.0%. It is also expected that the net factor income will increase by 34.9% 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 Palestine. Therefore; the real gross national income will increase by 9.5%. The gross national disposable income is expected to increase by 11.8%.

3. The Pessimistic Scenario:

This scenario is based on that the political situations will deteriorate accompanied by tax evasion will increase and collection of income and value added tax will decline by (10%, 9%) respectively. A decline of government transfers, fluctuation in tax revenues (tax clearance) transfers, by Israel freezing it for various periods through 2014 without paying the arrears due to the freeze. But overall, we assume a transfer of about 60.0% of tax receivables. In return, however; foreign aid will be stable. Increase of barriers on the movement of people and goods inside Palestine or between Palestine and neighboring countries.

The Outputs of the Pessimistic Scenario:

Real sector:

It is expected that the Gross Domestic Product will decrease by 8.9% through the year 2014 and GDP per capita will decrease by 11.7%. As well as the gross consumption will decrease by 1.1%. In addition to decrease in gross investment by 1.6%.

Financially:

It is expected that government revenues will decrease by 13.3%, also it is expected that the government expenditure will decrease by 10.3%.

Work and Workers:

An increase in the rate of unemployment in the Palestine is expected, due to the clause and barriers imposed on people and goods movement from and to Palestine, 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 2014 compared to 23.0%, and the number of employed is expected to slight decrease in Palestine by 1.0%.

External Sector

An increase in the deficit of the net foreign current account of Palestine is expected by 43.4%, an increase in the trade Balance deficit also is expected by 15.5%, the net factor income will decrease by 28.4%, due to the supposed decrease in the workers number in Israel, in addition to the increase of barriers imposed in Palestine, so the gross national income will decrease by 10.5%, and the gross national disposable income will decrease by 8.9%.

**The most significant outputs of economic forecasting, according to the assumed scenarios in Palestine,
for the year 2014.**

Macroeconomic indicators	*2013	2014(1)	2014(2)	2014(3)
Gross Domestic Product (GDP)(Million Dollar)	7054.3	7325.9	7575.8	6419.5
Gross Domestic Product (%)		3.8	7.4	8.9-
GDP per capita(Dollar)	1691.9	1705.5	1763.7	1494.5
GDP per capita (%)		0.8	4.2	11.7-
Gross consumption (Million Dollar)	9265.3	9732.8	9917.5	9160.0
Gross consumption (%)		5.0	7.0	1.1-
Gross Investment (Million Dollar)	1084.7	1117.3	1154.1	1066.9
Gross investment (%)		3.0	6.4	1.6-
Trade Balance (Million Dollar)	3295.8-	3524.2-	3495.8-	3807.4-
Trade balance (%)		6.9	6.1	15.5
Gross exports (Million Dollar)	1210.2	1321.1	1353.9	1230.7
Gross export (%)		9.2	11.9	1.7
Gross Imports(Million Dollar)	4505.9	4845.3	4849.7	5038.0
Gross Imports (%)		7.5	7.6	11.8
Value Added of industrial sector(Million Dollar)	710	740.0	764.2	692.8
The percentage value added in the industrial sector of GDP		10.1	10.0	10.8
Value Added of services sector(Million Dollar)	4050	4146.8	4265.1	3930.4
The percentage value added in the services sector of GDP		56.6	56.3	61.2
Value added of agricultural sector (Million Dollar)	329	276.4	315.1	188.2
The percentage value added in agricultural sector of GDP.		3.7	4.2	2.9
Value added of construction sector (Million Dollar)	955	997.1	1074.0	757.2
The percentage value added of the construction sector of GDP.		13.6	14.2	11.7
Gross National income (Million Dollar)	7645.9	8011.4	8374.0	6843.3
Gross National income (%)		4.8	9.5	10.5-
Goss National Disposable Income(Million Dollar)	8821.2	9203.2	9863.8	8035.2
Goss National Disposable Income (%)		4.3	11.8	8.9-
Unemployment rate	23.0	22.0	19.0	25.0
Workers number in thousand	861	915	945	852
Change in workers (%)		6.3	9.8	1.0-
The real Average Daily Wage per employee(Dollar)	16.0	15.7	15.8	15.5
The real average daily wage per employee (%)		2.1-	1.3-	3.4-

• **Primary estimations**

- 1. The base scenario**
- 2. The optimistic scenario**
- 3. The pessimistic scenario**