**H.E. Dr. Awad, President of Palestinian Central Bureau of Statistics (PCBS), demonstrates the following:**

* **The Performance of the Palestinian Economy during 2023.**
* **The economic forecasts for 2024.**

**H.E. Dr. Ola Awad, President of Palestinian Central Bureau of Statistics (PCBS), demonstrated today Saturday, 30/12/2023, the performance of the Palestinian economy for the most important social and economic indicators for 2023, of which the last quarter has witnessed the Israeli occupation aggression on Gaza Strip, as well as the economic forecasts for the year 2024, as follows:**

**The Performance of the Palestinian Economy [[1]](#footnote-1) during 2023**

**A sharp contraction in the gross domestic product in Gaza Strip during the fourth quarter of 2023 by more than 80%, accompanied by a rise in unemployment rates reaching 74%, and a sharp decline in the West Bank by 22%, with an unemployment rate of 29%, which led to a decline in the gross domestic product in Palestine during the fourth quarter 2023 by 33%.**

The continued Israeli aggression on Gaza Strip during the fourth quarter of 2023 and the following repercussions on the economy in the West Bank, will lead to a decline in Palestine's GDP in 2023 of an estimated USD 1 billion, 6.2% compared to 2022, where the Palestinian economy was supposed to achieve a growth by 3% in the same year. Palestinian gross domestic product (GDP) dropped by 33% in the fourth quarter of 2023 due to Israeli ongoing aggression on Gaza Strip and repeated raids of the West Bank. This decline is also due to a series of factors, most notably the sharp decline in external support, the continued deduction of parts of tax revenues (clearance) by the Israeli occupation over the year which exceeded NIS 2 billion; where the latest of which was the deduction of salaries of Gaza Strip employees. Gaza Strip domestic product declined in the fourth quarter of 2023 compared to the same quarter in 2022 by more than 80% as a result of the Israeli aggression, which led to the near-total disruption of economic life and the destruction of most of the components of production. Also, GDP recorded a sharp decline of 22% in the West Bank, due to the continued raids of the Israeli occupation on the cities, towns and camps of the West Bank, as well as the closure policy between West Bank governorates and the layoffs of more than 90% of Palestinian workers in Israel and the Israeli settlements, which all, in return, created economic contraction and distorted its economic structure; and thus, it led to the Palestinian government inability to fulfil its financial obligations toward the public and private sectors.

**A humanitarian and environmental, social and economic catastrophe led to a structural distortion in the economy of the Gaza Strip’s.**

About 2.3 million people live in Gaza Strip, in an area that doesn't exceed 365 km². The population density in Gaza Strip is 6,102 individuals/km², where it is considered one of the highest densely populated in the world. Thus, the per capita of water also reached less than 2 liters per day compared to 150 liters per day according to the minimum recommended amount by the World Health Organization. Gaza Strip suffers from demographic pressure on the basic resources of production factors. On the other hand, the series of repeated wars on Gaza Strip, which led to almost complete destruction of the simplest necessities of life for the Palestinian individual. Unemployment rates rose to reach their highest levels, recording 74% during the fourth quarter of 2023. During the fourth quarter of 2023, economic indicators showed a decline in the contribution of Gaza Strip to the gross domestic product in the State of Palestine from about 34% over the years before 2006, to fell to less than 5%, which led to a structural distortion in the Gaza Strip’s economy affected its ability to recover. Estimates also indicate that about half of the establishments were completely or partially destroyed as a result of the Israeli aggression on Gaza Strip. The above mentioned indicators show that Gaza Strip has been suffering from a difficult economic situation before the Israeli aggression on Gaza Strip. The ongoing devastating aggression increases the suffering of Gaza Strip, as Gaza is deprived of the least human rights, such as water, electricity, fuel, in addition to a significant shortage of medicines and basic health supplies, which portends a humanitarian and environmental catastrophe.

**Almost complete collapse of all economic activities in Gaza Strip during the fourth quarter of 2023, which led to a sharp decline in Palestinian economic**

The value added of all economic activities in Palestine dropped in the fourth quarter of 2023 compared to the same quarter of the previous year, where constructions activity recorded the highest decline reaching 39% (27% in the West Bank and 96% in Gaza Strip), followed by agriculture activity with a decline of 38% (12% in the West Bank and 93% in Gaza Strip), then the services activity by 33% (21% in the West Bank and 77% in Gaza Strip), industry activity by 28% (24% in the West Bank and 92% in Gaza Strip), as a result of which all economic activities in Palestine declined in 2023 compared to 2022, where the constructions activity recorded the highest decline of 12%, followed by agriculture, industry activities by 8%, and services activity by 6%.

**A sharp decline in the level of consumption in Palestine during the fourth quarter of 2023 by more than 33%, which will, in return, increase poverty rates in Palestine.**

The gross consumption decreased by 33.1% (21% in the West Bank and 80% in Gaza Strip) in the fourth quarter of 2023 compared to the same period in the previous year. The private consumption by households and non- profit institutions and serving households declined by 33%, where public consumption (Government) decreased by 33.4% during the same period, while gross investment (gross capital formation) decreased by 30%. During 2023, GDP per capita declined by 8% and private and government consumption by 3% and 8%, respectively, as well as a decline in the gross investment by 5%.

**The trade balance deficit declined by 33% for the fourth quarter of 2023**

At the level of the Palestinian trade with the outside world, the fourth quarter of 2023 witnessed a sharp decline in the value of exports of goods and services by 33% along with a decline of 33% in imports during the same period, as a result of the fact that the value of imports is about three times the value of exports, which led to a decline of 33% in the trade balance deficit. It is worth mentioning that before 2006, the volume of trade for Gaza Strip reached 23% of Palestine's total trade. Yet, this percentage declined below 4% in the fourth quarter of 2023. During the recent aggression on Gaza Strip, supply chains from and into Gaza Strip were cut off, which warns of a health catastrophe in all of Gaza Strip due to the sharp decline in medicines and healthcare needs and necessities. While, in 2023, exports, imports and the trade balance recorded a relative stability compared to 2022.

**A sharp increase in unemployment rates in Gaza Strip to exceed 74% during the fourth quarter of 2023, while it was 45% in the third quarter of 2023, leading to an increase in the unemployment rate in Palestine to reach 31% during 2023.**

At the labour and workers level, Palestine is experiencing a regional gap in unemployment rates, during the fourth quarter of 2023, the unemployment rate in Palestine is expected to reach 46% (29% in the West Bank and 74% in Gaza Strip). Unemployment rates in Palestine are estimated to rise from 25.5% in 2022 to 30.7% in 2023 as a result of the Israeli aggression on Gaza Strip and its repercussions on Palestine. Unemployment rate will reach 18% in the West Bank and about 53% in Gaza Strip. Moreover, estimates indicate that there are more than 651 thousand unemployed persons in Palestine; 393 thousand unemployed persons in Gaza Strip and 258 thousand unemployed persons in the West Bank in 2023.

**A sharp increase in prices[[2]](#footnote-2) level during the recent Israeli aggression on Gaza Strip in the fourth quarter of 2023 by more than 30%.**

In 2023, consumer price index in Palestine increased by 6% compared to 2022 (4.8% in the West Bank and 9.7% in Gaza Strip), where prices of some basic commodities rose, which negatively affected the Palestinian household expenditure along with a decline of 5.5% in purchasing value during 2023 in Palestine (4.6% in the West Bank and 8.9% in Gaza Strip); and thus, affecting poverty levels in Palestine, which rose to unprecedented levels, especially in Gaza Strip. Furthermore, the recent Israeli aggression on Gaza Strip in the fourth quarter of 2023 has led to an increase in prices in Gaza Strip by more than 30%.

**Economic Forecasts[[3]](#footnote-3) for 2024**

Those forecasts were developed based on various scenarios for Palestine, and in consultation with the Advisory Committee for Economic Statistics, which consists of local economists and academics, in addition to the Ministry of Finance and the Palestinian Monetary Authority. Each scenario took into consideration internal political, economic circumstances for 2024, Israeli aggression on Gaza Strip, foreign aids, Israeli occupation measures against Palestine, the number of Palestinian employees in Israel and the economic and social variables.

**First: Baseline Scenario[[4]](#footnote-4) of the Current Situation:**

**This scenario is based on the assumption of the continuation of the political and economic situation in Palestine as it was during 2023, including the continued Israeli aggression on Gaza Strip and the West Bank until January 2024, and its ongoing repercussions during 2024. The features of this scenario are concentrated among a set of key assumptions, where this scenario assumes the following:**

1. The continuation of closures imposed by the Israeli occupation between the West Bank governorates on the movement of individuals and goods to and from Palestine, including workers in Israel and Israeli settlements in terms of suspension of work permits issued to the minimum.
2. The continuation of the unjust deduction by the Israeli occupation of a part of the clearance revenues as the same level as before the Israeli aggression on Gaza Strip in 2023, which would negatively affect the Government's ability to fulfil its obligations to the public sector and private suppliers.
3. A decrease in income and value added tax revenues (local and clearance) as a result of economic recession.
4. The level of supporting external aids of the Palestinian budget remains at their minimal level as it was in 2023.
5. Almost complete suspension of the development projects.

**Baseline Scenario Expectations:**

Based on this scenario, it is expected to have further decline in GDP with a percentage of 5.0% in 2024, which is equivalent to 11% as a result of Israeli aggression in 2023 and 2024 that led to a decline of 6.8% in per capita as well as a decline in gross consumption (private and public) by 4.2%, compared to 2023. It is also expected that unemployment rates will exceed 35% in 2024 compared to 31% in 2023.

**Second: Recovery and Reconstruction Scenario:**

**This scenario is based on the assumption that the Israeli aggression on Gaza Strip and all of the following procedures in the West Bank will end, in addition to the gradual return of the political and economic situation as it was before the Israeli aggression on Gaza Strip. The features of this scenario are concentrated among a set of key assumptions, where this scenario assumes the following:**

1. Mitigation of restrictions imposed by the Israeli occupation on the governorates of the West Bank and Gaza Strip, including providing facilitations for the movement of individuals and goods to and from Palestine.
2. Gradual return of workers to work in Israel and Israeli settlements.
3. Re-transferring of clearance money by the Israeli occupation by the same method as it was before the Israeli aggression on Gaza Strip.
4. The gradual increase in income and value added tax revenues (local and clearance) as a result of the recovery of the Palestinian economy.
5. The increasing of external aids that support the Palestinian budget, as well as the support for the reconstruction of Gaza Strip, including the flow of basic inputs in kind and cash needed to rebuild and restore infrastructure to gradually move production throughout 2024.
6. Increased level of support tended for development projects.

**Recovery and Reconstruction Scenario Expectation:**

Based on this scenario, it is expected that, at the best circumstances, the level of GDP to stabilize by 0.5% in 2024 compared to 2023, i.e the level of recovery was not achieved within this scenario, resulting in a decline of 1.8% per capita, in addition to an increase in the gross consumption (private and public) by 1.4%, compared to 2023. Also, unemployment rates are expected to decrease to 30% in 2024 compared to 31% in 2023.

**Third: The Continuation of Aggression Scenario:**

**This scenario is based on further deterioration of the political and economic situation in the State of Palestine, in addition to the continued Israeli aggression on Gaza Strip and the West Bank until the end of the first quarter of 2024, and its ongoing consequences until the end of 2024. The features of this scenario are concentrated within a range of assumptions, including:**

1. Imposing further closures and restrictions by the Israeli occupation between the governorates of the West Bank and Gaza Strip on the movement of individuals and goods to and from Palestine, including the closure of crossings almost entirely and including workers in Israel and Israeli settlements in terms of suspension of work permits, with a minimum flow of humanitarian aids to Gaza Strip.
2. The irregular transfer of clearance money as a result of the unjust deduction by the Israeli occupation of a part of the clearance money of employees’ salaries of Gaza Strip during the first quarter of 2024, which in return, would lead to the Palestinian government's rejection to receive the deducted money.
3. A decrease in income and value added tax revenues (local and clearance) as a result of economic recession
4. The level of external aids for the support of the Palestinian budget remains at their minimal levels as it was in 2023.
5. Complete suspension of development projects in addition to reducing support for small businesses and microenterprises.

**The continuation of the Israeli Aggression Scenario Expectations:**

Based on this scenario, GDP is expected to witness higher contraction by 10.0% in 2024, equivalent to 16% as a result of the Israeli aggression in 2023 and 2024, which will result in a decline of 12% in per capita, along with a decrease of 7.9% in gross consumption (private and public) compared to 2023. Also, unemployment rates are expected to exceed 42% in 2024 compared to 31% in 2023.

1. Data at constant prices with 2015 as the base year. Data excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967. Data for 2023 were based on preliminary estimates and may be revised. [↑](#footnote-ref-1)
2. Data includes those parts of Jerusalem which were annexed by Israeli occupation in 1967. [↑](#footnote-ref-2)
3. Data at constant prices with 2015 as the base year. Data exclude those parts of Jerusalem which were annexed by Israeli occupation in 1967. [↑](#footnote-ref-3)
4. The assumptions of the Ministry of Finance are preliminary assumptions. [↑](#footnote-ref-4)