Palestinian Central Bureau of Statistics (PCBS)
Press report of economic forecasts for 2018

Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS), presented

- **The performance of the Palestinian economy in 2017.**
- **The economic forecasts for the year 2018.**

Today, Ms. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS), reviewed the performance of the Palestinian economy during 2017, as well as the economic forecasts for the year 2018.

Palestinian Economic[1] Performance during 2017

The preliminary estimates for 2017 compiled in accordance with the data available for the first three quarters of the year, and indicators for the fourth quarter 2017 used to estimate the data for that quarter. It should be noted that the data will be revised after the completion of collection of data from relevant sources.

Increase in the Gross Domestic Product (GDP) and GDP per capita during 2017

Preliminary estimates indicated an increase in GDP in Palestine by 3.2% during 2017 compared to 2016; GDP per capita has increased by 0.1% during 2017 compared to 2016.

The rise in the GDP 2017 was concentrated in the main economic activities which had a relatively higher contribution to GDP, including the construction activity, which preliminary estimates indicate its increase by 4.4% marking a total rise in the number of employees approximately 18%. The second contributor was the industry activity with a gross value added rising around 4.2% compared to 2016. The total number of employees in the industry activity also increased about 7%.

Preliminary estimates of Palestinian labor market indicators

Preliminary estimates indicated an increase in the number of employed persons in the Palestinian labor market by 2.5% in 2017 compared to 2016. The increase was attributed to the high increase in the number of workers in construction, industry and services activities. Preliminary estimates also showed that 11.4% of employed individuals worked in Israel in 2017, compared to 10.9% in 2016.

Unemployment rate increased to 28.5% in 2017 compared to 27.3% in 2016.

1 Data at constant prices with 2015 as the base year. Data excludes that part of Jerusalem Governorate which was annexed forcefully by Israel following its occupation of the West Bank in 1967. Data for 2017 were based on preliminary estimates and may be revised.

Date:

An increase in exports and imports of goods and services during 2017.
Preliminary estimates of Palestinian foreign trade movements, represented in exports and imports, indicated that the value of exports increase by 4.2% compared to 2016 and the value of imports increased by 2.8% compared to 2016.

Prices[2]
Preliminary estimates showed that the average of overall consumer prices index in Palestine recorded a slightly increase by 0.25% during 2017 compared to 2016.

Economic Forecasts[3] for 2018
These forecasts were developed based on various scenarios for Palestine, which do not differentiate the West Bank from Gaza Strip despite the gap between them, and in consultation with Advisory Committee for Economic Statistics, which consists of local economists and scholars, in addition to representatives from Ministry of Finance and the Palestinian Monetary Authority. Each scenario took into consideration internal political and economic circumstances for 2018, the blockade imposed upon Gaza Strip, foreign aid, Israeli measures in Palestine, the number of Palestinian workers in Israel and economic and social variables.

1. Baseline Scenario[4]

This scenario is based on the assumption that the economic and political situation in Palestine will remain the same as it was during 2017. It assumes that donor countries will continue to provide financial support for the budget of the State of Palestine (Central Government). It assumes the continuation of transfer clearance revenues from Israeli Occupation and improved tax collection efficiency, an increase of government transfers, and rise in the value of the credit facilities. It assumes that obstacles placed by Israeli Occupation on the movement of people and goods inside Palestine, between regions, or with neighboring countries, will be the same as in 2017, in addition to natural population growth in Palestine.

Expectations of Base Scenario

Real Sector:
Gross Domestic Product (GDP): It is expected to increase by 2.6% in 2018; the value of GDP per capita is also expected to decrease by 0.2%, and the value of gross consumption (private and public) is expected to increase by 2.5%. The value of total investment is expected to increase by 6.8%.

Employment: An increase of 4.8% in the number of employees is anticipated and the unemployment rate is expected to reach 28.7% in 2018.

Fiscal Sector:
An 8.5% increase in the value of government revenues is anticipated as a result of improvements in tax collection, an increase in the value of government expenses by 3.4%.

[2] Data includes that part of Jerusalem Governorate which was annexed forcefully by Israel following its occupation of the West Bank in 1967
[3] Data at constant prices with 2015 as the base year. Data excludes that part of Jerusalem Governorate which was annexed forcefully by Israel following its occupation of the West Bank in 1967. Date:
[4] The assumptions from the Finance Ministry are preliminary assumptions.

External Sector:
An increase of 7.4% is anticipated in the net current account[5] deficit value of Palestine and an increase of 4.5% in the trade balance deficit value. This is attributed to the expected rise in the value of Palestinian imports by 4.8%, despite of the expected increase in value of Palestinian exports by 5.6%, the value of net factor income is expected to increase by 7.2%. And value of gross national income and gross national disposable income will increase by 3.2%, 2.6% respectively.

2. Optimistic Scenario

This scenario is based on the assumption that the political and economic situation will improve due to the positive effects of Palestinian reconciliation, as well as an increase in the development expenditures, necessary for the reconstruction of the Gaza Strip, and assistance provided by donor countries to finance the budget of the State of Palestine (Central Government). It also assumes uninterrupted transfer of clearance revenues, and increase in tax revenues: with more collection of domestic value-added tax, and clearance value added, income, customs and excise, property and fuels (which is expected to rise because of an increase of fuel bill required to operate the Electricity company in the Gaza Strip), in addition to increasing the collection of non-tax revenues from fees on health services and education, and improved tax collection, **prices may decrease due to the removal of restrictions imposed on the Gaza Strip then increase in the demand which followed by increasing in supply which affect to increase the employment and decrease the unemployment rate and poverty ratios and increase in exports**. It also assumes that obstacles placed by Israeli Occupation on the movement of people and goods inside Palestine, between regions, or with neighboring countries reduced compared with 2017, plus natural population growth in Palestine.

Expectations of the Optimistic Scenario

Real Sector:
Gross Domestic Product (GDP): It is anticipated to increase by 7.0% during 2018 while GDP per capita will increase by 4.0%. It also assumes that gross consumption value (private and public) will increase by 4.9% and the value of total investments will increase by 16.2%.

Employment: An increase of 10.2% in the number of employees is anticipated and the unemployment rate is expected to decrease to 26.0% during 2018.

Fiscal Sector:
An 18.0% increase in the value of government revenues is anticipated, an increase in the value of government expenses by 11.4%, and a decrease in the public budget deficit (Central Government) by 26.5%.

External Sector:
A decrease of 32.0% in the net current account deficit value of Palestine is anticipated, despite an increase of 5.8% in the trade balance deficit value, due to the rise in the value of Palestinian imports by 6.8% even with an expected increase in the value of exports by 8.8%. The value of net factor income is expected to increase by 28.6%, which will reflect directly on the net current account deficit value due to the increasing number of workers in Israel as a result of the assumption of freedom of movement of people and goods in Palestine. This would increase gross national income value by 9.4%, and gross national disposable income value by 11.6%.

Date:

[5] The net current account includes the net trade balance, net current transfers and net factor income.

3. Pessimistic Scenario

This scenario accounts for the deterioration in the already volatile political and economic situation due to the external negative effects of the reconciliation. It assumes a drop in aid from donor countries to finance the budget of the State of Palestine (Central Government), an increase in tax evasion, fluctuations or stopping in the transfer of clearance revenues, a decline in revenues of the domestic value added tax, it also presumes a decline of income tax revenues and in customs and excise tax, it assumes that Israeli Occupation restrictions on the mobility of people and goods inside Palestine, between regions, or with neighboring countries will increase and the number of workers in Israel will decrease as the result of closures.

Expectations of the Pessimistic Scenario

Real Sector:

Gross Domestic Product (GDP): GDP is expected to decrease by 2.1% during 2018 and GDP per capita will decrease by 4.8%. In addition, gross consumption value (private and public) will decrease by 0.1% and the value of total investments will decrease by 14.9%.

Employment: The number of Palestinian employees in Israel is anticipated to decrease by 11.8% which will lead to an increase of the unemployment rate to reach 30.9% during 2018.

Fiscal Sector:

Government revenues value are expected to decrease by 4.9% as a result of Israel freezing a proportion of tax revenues, plus an increase in tax evasion, a decrease in the value of government expenses by 1.3%.

External Sector:

The net current account deficit value of Palestine is anticipated to increase by 47.1%, due to a decrease in net current transfers from abroad by 32.4%, despite of an expected decrease of 2.9% in the trade balance deficit value following a decrease in the value of Palestinian imports by 2.9% and a decrease in the Palestinian exports of 3.0%. Net factor income value is expected to decrease by 7.0% assuming that the number of workers in Israel will decrease and constraints imposed within Palestine will increase. A decrease of 2.7% is anticipated in gross national income value and of 5.1% in the value of gross national disposable income.

Date:

The most significant outputs of economic forecasts based on the assumed scenarios in Palestine for 2018*.

Main Indicators	2016	Preliminary Estimates 2017	Baseline Scenario 2018	Optimistic Scenario 2018	Pessimistic Scenario 2018
Value					
Gross Domestic Product (Million Dollars)	13,269.7	13,698.7	14,060.6	14,653.7	13,411.2
GDP per capita (Dollars)	2,922.9	2,924.6	2,917.5	3,040.6	2,782.8
Gross National Income (Million Dollars)	14,963.9	15,447.6	15,935.5	16,902.9	15,037.5
Gross National Disposable Income (Million Dollars)	16,361.2	16,839.8	17,280.4	18,785.8	15,979.0
Real Average Daily Wage per employee (Dollars)	21.6	21.7	22.1	22.3	21.9
Unemployment Rate (%)	27.3	28.5	28.7	26.0	30.9
Percentage Change (%)					
Percentage Change in Gross Domestic Product	4.7	3.2	2.6	7.0	-2.1
Percentage Change in Gross Final Consumption Expenditure	2.9	3.2	2.5	4.9	-0.1
Percentage Change in Gross Capital Formation	4.8	1.8	6.8	16.2	-14.9
Percentage Change in Trade Balance (Deficit)	-0.6	2.2	4.5	5.8	-2.9
Percentage Change in Gross Exports	1.9	4.2	5.6	8.8	-3.0
Percentage Change in Gross Imports	0.2	2.8	4.8	6.8	-2.9
Percentage of GDP (%)					
Percentage of Final Consumption Expenditure of GDP	117.8	117.7	117.6	115.5	120.1
Percentage of Gross Capital Formation of GDP	21.2	20.9	21.7	22.7	18.1
Percentage of Trade Balance (Deficit)of GDP	-39.0	-38.6	-39.3	-38.2	-38.2
Percentage of Gross Exports of GDP	18.0	18.1	18.7	18.4	18.0
Percentage of Gross Imports of GDP	57.0	56.7	58.0	56.6	56.2
Agricultural Activity, Value added of GDP	3.1	3.0	3.1	3.4	2.0
Industrial Activity, Value added of GDP	11.1	11.2	11.3	11.2	11.2
Construction Activity, Value added of GDP	6.3	6.4	6.3	6.8	5.6
Services and Other items Activity, Value added of GDP	63.1	62.7	62.2	60.7	61.8

Data at constant prices with 2015 as the base year.

Note:

1- The final consumption expenditure includes net errors and omissions.

2- Services and Other Items (includes services, in addition to electricity and Water supply, wholesale and retail trade, transportation storage, financial and insurance, information and communications, public administration and defense, and households services, and FISIM).

Date: