Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA)

Deficit in Current Account is USD 292 Million of the Palestinian Balance of Payments – Fourth Quarter 2020

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 fourth quarter of 2020 under the joint issuance cycle for the Palestinian Balance of Payments (BoP). 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 for the current account deficit

An incessant deficit in the Current Account (goods, services, income, current transfers) which totaled USD 292 million. This deficit in current account mainly triggered by the deficit of the Trade Balance of Goods, which reached USD 1,276 million, as well as the deficit in Services Balance, which amounted to USD 228 million.

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

The surplus in Income Account (compensations of employees and investments income) amounted to USD 741 million. This surplus was due to compensations of the employees working in Israel, which reached USD 705 million (with an increase of 8% compared to the previous quarter). As for the received investments income, it amounted to USD 58 million; and was mainly caused by the income received on the portfolio investments abroad, in addition to the interest received on the Palestinian deposits in banks abroad.

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

The Current Transfers achieved a surplus value amounted to USD 470 million with an increase of 4% compared to the previous quarter. The total transfers from abroad amounted to USD 556 million, of which 17% were the transfers to the government sector, while the percentage of the transfers to other sectors reached 83%. 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 383 million the surplus in the Capital and Financial Account was mainly caused by the surplus in Financial Account which amounted to USD 266 million. There was an increase in the reserve assets at PMA amounted to USD 71 million, compared to a decrease of USD 74 million in the previous quarter.

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.

Table 1: Balance of Payments In Palestine* for the third and fourth quarters 2020

(Value in million USD)		
Indicator	**Q3- 2020**	**Q4- 2020**
Current account (net)	**-200**	**-292**
Goods (net)	**-1,144**	**-1,275**
Exports (fob)	469	541
Imports (fob)	1,613	1,817
Services (net)	**-207**	**-228**
Exports	191	220
Imports	398	448
Income (net)	**697**	**741**
Receipts	737	775
Compensation of employees	666	717
Of which from Israel	*653*	*705*
Investment income	71	58
Payments	41	34
Current transfers (net)	**454**	**470**
Inflows	543	556
To the government sector	117	95
of which from Donors transfers	*79*	*56*
To the other sectors	426	461
of which from Donors transfers	*25*	*25*
Outflows	89	86
Capital and financial account (net)	**22**	**383**
Capital account (net)	**84**	**117**
Capital transfers (net)	84	117
Inflows	84	117
To the government sector	27	41
of which from Donors transfers	*27*	*41*
To the other sectors	57	76
Outflows	0	0
Acquisition / disposal of non-Produced, non-financial assets non-financial assets (net)	0	0

Table 1 (Cont.): Balance of Payments In Palestine* for the third and fourth quarters 2020

(Value in million USD)		
Indicator	**Q3- 2020**	**Q4- 2020**
Financial account (net)**	**-62**	**266**
Foreign Direct investment (net)	**61**	**-59**
Change in investment abroad (net)	5	-1
Change in investment in Palestine (net)	56	-58
Foreign Portfolio investment (net)	**54**	**70**
Change in Assets (net)	86	28
Change in Liabilities (net)	-33	42
Foreign Other investment (net)	**-251**	**325**
Change in Assets (net)	-265	288
Of which claims on Israel of clearance revenues	*-466*	*765*
*Of which Currency and deposits****	*192*	*-484*
Change in Liabilities (net)	15	37
Of which Loans nonresidents	*9*	*22*
*Of which Currency and deposits*****	*5*	*-71*
Net errors and omissions	**178**	**-91**
Overall balance	-74	71
Financing	74	-71
Exceptional financing	0	0
Change in Reserve assets (- = Increase/+= decrease)	**74**	**-71**

*The data excludes those part of Jerusalem which were annexed by Israeli occupation in 1967.

** 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.