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

Press Release
The Performance of the Palestinian Economy in 2022, and Economic Forecasts for 2023

Palestine Monetary Authority (PMA) and the Palestinian Central Bureau of Statistics (PCBS) jointly issued a press release on the performance of the Palestinian economy for 2022 along with the economic forecasts for 2023; a joint publication that represents the continuous efforts of the two institutions. It is worth mentioning that this data (at constant prices) excludes those parts of Jerusalem which were annexed by the Israeli occupation in 1967.

The Performance of the Palestinian Economy in 2022

A limited recovery in the Palestinian economy, tending towards a slowdown

During the year 2022, the Palestinian economy succeeded in achieving a growth of about 3.6%, compared to a growth of 7.0% during the year 2021, despite the many complex crises it suffered from, and despite the almost complete cessation of external support provided to the State of Palestine to support the budget, and the continuation of the Israeli deductions of tax revenues (clearance) throughout the year, in addition to the repercussions of the Ukrainian- Russian crisis, driven by the improvement in the level of aggregate demand, whereas the level of gross consumption increased by 7.0%, and gross investment increased by 15.3%.

The increase in the value added of most economic activities

Most economic activities witnessed an increase in the value added during 2022. The industry activity recorded the highest growth rate of 6.3%, and the services activities grew by 2.9%, followed by the construction activity, which increased by 2.3%, while the agricultural activity witnessed a decrease of 2.6%.

An increasing number of employees, and a decrease in unemployment rate

The year 2022 also witnessed a continued recovery in the labor market, as the total number of employees increased by 7.6% compared to 2021. Despite in the increase of the number of employees; hence, the relative improvement in the level of economic activity contributed to reducing the unemployment rate during the year 2022 to 25.7%. compared to 27.6% in 2021.

A rise in the trade balance deficit, and an increase in the volume of trade exchange with the outside world

In terms of the foreign trade movement for Palestine, the preliminary estimates indicated an increase in the value of exports by 7.3% compared to an increase in the value of imports by 16.9%, which led to a rise in the trade balance deficit by 21.7% compared to the previous year.

An increase in consumer prices

Inflationary pressures and global price increases were gradually reflected in the level of domestic prices, especially since Palestine imports most of its consumption of goods and services from abroad, which caused a rise in the general level of prices throughout 2022, and the inflation rate in Palestine reached about 3.8% compared to the previous year. This is the highest rate in nearly ten years.

Expectations of a slowdown in the growth rate of the economic activity in 2023 for the second year, respectively

Palestine Monetary Authority (PMA) and the Palestinian Central Bureau of Statistics (PCBS) also issued two reports on the economic forecasts for 2023 that are now available on PCBS and PMA websites. Accordingly, those reports forecasted the main indicators of the Palestinian economy for 2023, based on a group of factors and assumptions, which were included in the baseline scenario, where its impact is expected to be reflected on the most important indicators in various sectors (the real sector, the financial sector, and the external sector), especially in light of the continuing wave of global inflation, the tightening of monetary conditions, and the exacerbation of problems related to supply chains, specifically primary and basic commodities, as a result of the continuation of the Ukrainian- Russian war.

The results of these forecasts indicate the continued slowdown in the performance of the Palestinian economy for the second year in a row, driven by the increasing of the uncertainty resulting from the government's financial situation, the noticeable rise in domestic price levels, and the decline in the purchasing power of per capita income.

Based on these assumptions, forecasts indicate the possibility of the Palestinian economy achieving a growth rate of about 2.5% during the year 2023, compared to estimated growth of about 3.6% during the year 2022, driven by the growth of consumption and investment and exports expenditure, and the improvement in the value added of most economic activities.

This performance is expected to be accompanied by a slight decrease in unemployment rates, to 25.5% compared to 25.7% in 2022, with the per capita income level remaining unchanged.

In view of the fact that the environment in which the Palestinian economy operates involves a great deal of risk and uncertainty, these forecasts have included an analysis of potential risks of varying degrees (the optimistic scenario and the pessimistic scenario), which, if they occur, are expected to have positive or negative repercussions on the economic performance in the near term.