**Palestinian Central Bureau of Statistics (PCBS)**

**Press Report on Economic Forecasts for 2022**

**H.E. Dr. Awad, President of PCBS, demonstrates the following:**

* **The performance of the Palestinian economy during 2021.**
* **The economic forecasts for the year 2022.**

**H.E. Dr. Ola Awad, President of PCBS, demonstrated today Wednesday, 29/12/2021, the performance of the Palestinian economy during 2021, as well as the economic forecasts for the year 2022, as follows:**

**The performance of the Palestinian Economy[[1]](#footnote-1)during 2021**

**The Palestinian economy began to gradually recover in light of the breaking of the epidemic curve of the COVID - 19 pandemic, while it is still below its pre-pandemic level despite the almost complete cessation of external support.**

The Palestinian economy began to recover gradually in light of the breaking of the epidemiological curve of the COVID - 19pandemic and despite the almost complete cessation of external support.

The Palestinian economy recorded an increase of 6.7% during the year 2021 while remaining below its pre-pandemic level. During the year 2021, economic activities witnessed an increase in value added, which, in return, led to an increase in the GDP per capita by 4.1%, and thus increasing the level of public demand for the indicators of gross consumption and investment.

The year 2021 witnessed an increase in Gross Domestic Product (GDP) of 6.7% compared to 2020, where the first quarter of 2021 witnessed a decline in GDP by 6% compared to the same period of 2020. As and as a result of easing the severity of the measures resulting from the pandemic, the second quarter of 2021 recorded a remarkable increase of 19%. Such increase will continue during the third quarter of 2021 of 7% compared to the corresponding quarter of the year 2020, despite the sharp decline in the foreign aid provided to the State of Palestine to support the budget, as well as the recent Israeli aggression on the Gaza Strip, which lasted for more than 10 consecutive days, and the continued intransigence of the Israeli occupation with deducting part of the clearance revenues under false pretexts such as the debts of the Israeli Electricity Company. Also, at the level of spending, the total consumption in Palestine increased during the same year by 6%, and the gross investment increased by 11%.

**The increase in the value added of most economic activities as a result of mitigating the measures resulting from the pandemic.**

Most economic activities witnessed an increase in the value added during the year 2021 compared to the year 2020. The construction activity recorded the highest growth value added by 8%, and the industry activity grew by 7%, followed the services activity, which increased by 4% during 2021, while the agricultural activity witnessed a decrease of 3%.

**A rise in the trade balance deficit, an increase in the volume of trade exchange with the outside world, and a rise in imports and exports to and from Palestine.**

In terms of the foreign trade movement in Palestine, which is represented in total exports and imports, initial estimates indicated an increase in the value of exports by 14% compared to 2020. Also, the value of imports increased by 9% during the same period, despite the increase in exports at a higher rate than the increase in imports, and as a result of the value of imports is three times the value of exports, this led to a rise in the trade balance deficit by 7% compared to the previous year.

A stability in the unemployment rate during 2021.

The total number of employees in the labor market increased from 886 thousand employees in 2020 to 925 thousand in 2021. Also, the unemployment rate reached 27.8%.

**Regional gap in unemployment rates**

The total number of employees in Palestine increased from 886 thousand employees in 2020 to 925 thousand employees in 2021. Thus, the unemployment rate reached 27.8%. Data during the first three quarters of 2021 indicate that there is a gap in unemployment rates on regional levels. Consequently, it reached about 17% in the West Bank and about 51% in Gaza Strip. Unemployment rates among graduates exceed 35%, as the Palestinian labor market needs to direct education towards technical and vocational education to meet the needs of the Palestinian labor market and not concentrate it in non-employment-generating sectors. Still there is an insufficient number of employees for rare specialties in the Palestinian market, such as maintenance technicians for medical devices, ATM maintenance technicians, car’s software maintenance technicians, neurosurgeons, and vascular surgeons. On the other hand, there is a large percentage of academic disciplines graduates. In addition to the high disparity in workers’ wages in the State of Palestine and those how work in Israeli and Israeli settlements, which, in return, led to a shortage in the number of employees in the local Palestinian market.

**Increase of Palestine’s public debt by 4%.**

Public debt reached USD 3.8 billion by the end of the third quarter of 2021 with an increase of 4% compared to the fourth quarter of 2020, where the public debt was USD 3.6 billion.

**An increase of consumer Prices[[2]](#footnote-2) during the year 2021**

According to preliminary estimates, and because of the increase of the prices of raw materials and shipping, the average of overall consumer prices index in Palestine recorded an increase of 1.2% during 2021 compared with 2020.

**Economic Forecasts[[3]](#footnote-3) for 2022**

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 and health circumstances for 2022, including the continued impacts the COVID- 19 pandemic, the siege imposed on Gaza Strip, foreign aids, Israeli occupation measures against Palestine, the number of Palestinian employees in Israel and the economic and social variables.

1. **Baseline Scenario**[[4]](#footnote-4)

This scenario is based on the assumption of stability of the health situation related to the COVID- 19 pandemic and its impacts on the economic and social aspects of life that it was in the previous year. The government continues to work on providing the vaccine to include all age groups to prevent the spread of the pandemic, taking full account of the preventive measures. This scenario also assumes the continue of the normal political situation between the State of Palestine and the Israeli occupation as it was during 2021. It also assumes the continuation of the unjust deduction carried out by the Israeli occupation of the clearance revenues, and, on the other hand, the government continues to support the production sectors, focus on transformation and dependence on the use of clean energy sector, especially in government institutions, and to provide the necessary support in technological creativity field. The government continues its efforts to fight tax evasion and increasing the efficiency of tax collection, and moving forward with the government's policy related to the gradual detachment from the Israeli occupation’s economy along with increased credit facilities required to implement such policies on the ground. It continues providing the governmental transfer in the form of comprehensive balanced support to face the economic and social rebounds of the COVID- 19 pandemic. This shall also involve a gradual return to current transfers provided to the private sector from abroad. This scenario supposes a stability in the amounts of international grants and aids provided to support the central government’s budget and other development projects as was the case in 2021. In addition, continuation of the entry of Palestinian workers from Gaza Strip to work in occupied Palestine, and the continuation of the reconstruction process in the Gaza Strip.

**Expectations of Base Scenario**

**Real Sector:**

Gross Domestic Product (GDP): It is expected to increase by 2.5% in 2022. The value of GDP per capita is expected to record a stability, and the value of gross consumption (private and public) is also expected to increase by 2.0%. The value of total investment is expected to increase by 7.9% compared with 2021.

At the economic activities level, the value added of agricultural activities is expected to increase by 3.8%, construction activities by 1.7%, industrial activities by 1.4% and services activities by 0.6% during 2022 compared to 2021.

Work and Workers: The unemployment rate is expected to reach 27.4% in 2022 compared with 27.8% in 2021.

**External Sector:**

A decrease of 8.4% in Palestine’s net current account[[5]](#footnote-5) deficit value is anticipated, as a result of an increase of 7.4% in the value of net factor income and an increase of 21.5% in the value of net current transfers, despite of the increase of 4.6% in the value of the trade balance deficit. The value of gross national income and gross national disposable income will also increase in 2022 by 3.2% and 4.2%, respectively, compared to 2021.

1. **Optimistic Scenario**

This scenario is based on the assumption that the political situation will improve compared to 2020 through improvements at the local level with developments in the Palestinian reconciliation efforts and conducting the Palestinian parliamentary and presidential elections in the West Bank and Gaza Strip. On the international side, from the fulfillment of the promises of the new American administration will become clear and will be based on international agreements and references. Such an effort will reflect positively on the political and economic situation as it is expected that United States assistance will continue to its pre-2019 levels. Thus, there will be an increase in the aids provided by donor countries to finance the Palestinian central government’s budget, as well as increasing the support provided to development projects needed to fund youth projects and combat unemployment and poverty. This scenario is also based on taking practical and actual regulations to combat tax evasion and raising the efficiency of tax collection, and improving income tax and VAT collection (both domestic and related to clearance revenues from Israel), which will accompany the improvements in the economy including transferring the clearance revenues that the Israeli occupation collects on behalf of the Palestinian government on a regular basis. This will be accompanied by the assumption that the occupation will loosen its grip on the movement of individuals and goods from and to Palestine and increasing the number of permits issued to Palestinian workers in Occupied Palestine, as well as increase the current transfers provided to the private sector from abroad to above-annual levels accompanied by an improvement in the economic situation at the international level. This scenario assumes a gradual recovery from the effects of the COVID- 19 pandemic on all economic and social aspects, as well as an acceleration of the pace of the reconstruction process in Gaza Strip.

**Expectations of the Optimistic Scenario**

**Real Sector:**

Gross Domestic Product (GDP): It is anticipated to increase by 10.4% during 2022. The GDP per capita will increase by 7.8%. It also assumes that gross consumption value (private and public) will increase by 6.6% and the value of total investments will increase by 10.3% compared with 2021.

At the economic activities level: The value added of construction activities by 28.5%, agricultural activities is expected to increase by 25.7%, industrial activities by 15.2%, and services activities by 7.8% during 2022 compared to 2021.

Work and Workers: An increase of 5.7% in the total number of Palestinian employees in domestic market and inside Israel and Israeli settlements is anticipated. The unemployment rate is expected to reach 27.0% during 2022 compared to 27.8% in 2021.

**External Sector:**

A decrease of Palestine’s net current account deficit value is anticipated as a result of 19.6% increase in net factor income value and an increase in net current transfers by 82.2%, and a decrease in the value of the trade balance deficit by 1.6%. Compared to 2021, the value of gross national income and gross national disposable income will also rise by 11.6% and 15.4%, respectively, during the year 2022.

1. **Pessimistic Scenario**

This scenario is based on the assumption that there will be an increase in the numbers of of the COVID- 19 cases due to a new wave of the pandemic. Consequently, more government regulations will be taken to limit the spread of this pandemic, which, in turn, will affect the economic and social situation. This scenario also assumes a partial or complete freezing by the Israeli Occupation of the clearance revenues, which will negatively affect the government’s ability to fulfill its obligations. It scenario also assumes that the amounts of assistance provided by donor countries to finance the Palestinian government’s budget and to fund development projects will decrease compared to 2021. There will also be a tax avoidance and a decrease in local VAT and income tax collection, as a result of the economic recession. Also, no new development projects will be implemented and the previous projects will not be completed. This scenario also assumes tighter restrictions on the movement of individuals and goods to and from Palestine imposed by the Israeli occupation, and the decrease of number of work permits issued, and the delay in the reconstruction process in Gaza Strip.

**Expectations of the Pessimistic Scenario**

**Real Sector:**

Gross Domestic Product (GDP): GDP is expected to decrease by 2.7% during 2022, and GDP per capita is expected to decrease by 5.0%. In addition, the gross consumption value (private and public) will decrease by 0.5% compared to 2021.

At the of economic activities level, the value added of construction activities is expected to decrease by 11.9%, industrial activities by 5.8%, agricultural activities by 2.5%, and services activities will drop by 2.2% during 2022 compared to 2021.

Work and Workers: The unemployment rate is expected to reach 29.2% compared to 27.8% in 2021.

**External Sector:**

Palestine’s net current account deficit value is anticipated to increase by 7.3% due to a decrease of 2.8% in net current transfers and a decrease of 2.4% in the net factor income value, assuming that the number of workers in Israel will decrease, and increase of trade balance deficit value of 0.9%. A decrease of 2.7% in gross national income value is anticipated in addition to a decrease of 2.7% in the value of gross national disposable income during 2022 compared to 2021.

**The most significant outputs of economic forecasts based on the assumed scenarios in Palestine for 2022\*.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Main Indicators** | **2020** | **Preliminary Estimates 2021** | **Baseline Scenario**  **2022** | **Optimistic Scenario**  **2022** | **Pessimistic Scenario 2022** |
|  | | | | | |
| **Gross Domestic Product ( USD Million)** | 14,037.4 | 14,973.3 | 15,354.5 | 16,524.8 | 14,569.5 |
| **GDP per capita (USD)** | 2,922.5 | 3,042.5 | 3,046.9 | 3,279.2 | 2,891.2 |
| **Unemployment Rate (%)** | 27.2 | 27.8 | 27.4 | 27.0 | 29.2 |
| **Percentage Change (%)** | | | | | |
| **Percentage Change in Gross Domestic Product** | -11.3 | 6.7 | 2.5 | 10.4 | -2.7 |
| **Percentage Change in Gross Final Consumption Expenditure** | -10.6 | 5.7 | 2.0 | 6.6 | -0.5 |
| **Percentage Change in Gross Capital Formation** | -20.3 | 11.1 | 7.9 | 10.3 | -7.5 |
| **Percentage Change in Trade Balance (Deficit)** | -15.5 | 6.7 | 4.6 | -1.6 | 0.9 |
| **Percentage Change in Gross Exports** | -11.2 | 14.4 | 7.5 | 12.7 | -1.6 |
| **Percentage Change in Gross Imports** | -14.2 | 9.2 | 5.6 | 3.3 | 0.1 |
| **Percentage of GDP (%)** | | | | | |
| **Percentage of Final Consumption Expenditure of GDP** | 110.9 | 109.9 | 109.3 | 106.2 | 112.4 |
| **Percentage of Gross Capital Formation of GDP** | 23.7 | 24.7 | 26.0 | 24.7 | 23.5 |
| **Percentage of Trade Balance (Deficit)of GDP** | -34.6 | -34.6 | -35.3 | -30.9 | -35.9 |
| **Percentage of Gross Exports of GDP** | 16.6 | 17.8 | 18.7 | 18.2 | 18.0 |
| **Percentage of Gross Imports of GDP** | 51.2 | 52.4 | 54.0 | 49.1 | 53.9 |
| **Percentage Contribution of Agricultural Activity Value Added of GDP** | 7.1 | 6.5 | 6.6 | 7.4 | 6.5 |
| **Percentage Contribution of Industrial Activity Value Added of GDP** | 11.0 | 11.1 | 11.0 | 11.6 | 10.8 |
| **Percentage Contribution of Construction Activity Value Added of GDP** | 4.6 | 4.7 | 4.6 | 5.4 | 4.2 |
| **Percentage Contribution of Services and Other Branches Activities Value Added of GDP** | 61.9 | 60.5 | 59.3 | 59.1 | 60.8 |

)\*( Data at constant prices with 2015 as the base year. Data also excludes those parts of Jerusalem which were annexed by Israeli occupation in 1967

**Note:**

1- The gross consumption includes net errors and omissions.

2- Services and Other Branches (includes services, in addition to electricity and water supply, wholesale and retail trade, transportation and storage, financial and insurance, information and communications, public administration and defense, and households services) excluding customs duties and net VAT on imports.

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 2021 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)
5. The net current account includes the net trade balance, net current transfers and net factor income. [↑](#footnote-ref-5)