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

**The Performance of the Palestinian Economy for 2024, and Economic Forecasts for 2025**

Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA) jointly issued a press release on the performance of the Palestinian economy for 2024 along with the economic forecasts for 2025; 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 during 2024**

**A complete collapse of the economic structure in Gaza Strip accompanied by a sharp decline in production in the West Bank and unprecedented increase in unemployment rates**

Palestine is experiencing an economic, humanitarian, environmental, social, educational, and food catastrophe, which has led to a contraction in the productivity base and a structural distortion in its economy. By the end of 2024, estimates indicate an unprecedented sharp contraction in the GDP of the Gaza Strip, with a decrease exceeding 82%, along with a rise in the unemployment rate to 80%. This contraction has also affected the economy of the West Bank, where the GDP declined by more than 19%, and the unemployment rate rose to 35%. In total, these factors have contributed to a 28% decline in the Palestinian economy, along with a rise in the unemployment rate to 51%.

**A complete collapse of all economic activities in the Gaza Strip during 2024, along with a sharp decline in economic activities in the West Bank, with the construction activity being the most affected.**

The Palestinian economy is considered a service economy, where 65% of the Palestinian economy is services, while the productive sectors that support economic growth constitute only about 20% of the total economy. This indicates that the Palestinian economy is changeable, and is significantly impacted by the challenges but it quickly recovers as it is a small economy. During 2024, most economic activities in Palestine declined compared to the previous year, as the construction activity recorded the highest decline, reaching 46% (38% in the West Bank, and 98% in Gaza Strip) to reach USD 332 million, followed by the industrial activity with a decline of 33% (30% in the West Bank, and 90% in Gaza Strip) to reach USD 1,038 million, then agriculture activity with a decline of 32% (17% in the West Bank, and 91% in Gaza Strip) to reach USD 564 million, and the services activity declined by 27% (17% in the West Bank, and 81% in Gaza Strip) to reach USD 6,453 million.

**A decline in the trade volume from and to Palestine in 2024**

The volume of trade exchange between Palestine and the outside world witnessed an 11% decline. The value of exports of goods and services from Palestine dropped by 13%, reaching USD 2,677 million. Additionally, imports fell by 11%, totaling USD 9,069 million in 2024 compared to the previous year. Palestinian imports make up more than three times the value of Palestinian exports, reflecting a consistent trade deficit in the Palestinian balance of trade. It is important to note that the largest share of trade exchange with the outside world in the Gaza Strip was recorded in 2003, at 29% of total Palestinian trade. However, this percentage has since declined to less than 4% during Israeli occupation aggression, due to the near-total disruption of supply chains into and out of the Gaza Strip. This disruption led to a health and food crisis, with basic commodities, medicines, health supplies, and food provided at minimal levels, not exceeding 5% of the necessary quantities required in the Gaza Strip.

Data indicated that the percentage of imports from Israel throughout the years have declined, where it constituted 86% of the total Palestinian imports in 1996, i.e. USD 3,184 million to reach USD 4,815 million despite the fact that it declined to 60% in 2024. In contrast, the percentage of the Palestinian exports to Israel in 1996 reached 94% where it constituted USD 730 million, but then it declined to 87% of the total Palestinian exports in 2024, with an amount of USD 2,304 million.

**A Sharp Rise in Unemployment Rates in the Gaza Strip, Exceeding 80% in 2024**

Palestine suffers from high levels of unemployment rates and a regional gap. During 2024, the unemployment rate in Palestine rose to 51% (35% in the West Bank and 80% in Gaza Strip). While it reached about 31% before the Israeli occupation aggression against Gaza Strip (18% in the West Bank and 53% in Gaza Strip) during 2023. The labor force participation rate in Palestine also declined during 2024 to reach 40% compared to 44% in 2023, while it reached 36% in Gaza Strip after it was 40% during 2023, while the labor force participation rate in the West Bank reached 43% compared to 47% during the same period.

**Poverty and Living Standards**

Prior to the Israeli occupation's aggression against the Gaza Strip, poverty rates there exceeded 63%, with the poverty line in Palestine set at approximately NIS 2,717 and the extreme poverty line at about NIS 2,170. Recently, due to the ongoing Israeli aggression against the Gaza Strip, the concept of poverty has been surpassed, and we are now confronting different levels of famine and food insecurity. Consequently, total consumption has dropped by about 24%; 13% in the West Bank and 80% in the Gaza Strip, reflecting a direct impact on the standard of living in Palestine. This has been accompanied by an increase in unemployment rates across the region. In other words, the majority of individuals in Gaza Strip are now suffering from severe levels of food insecurity.

**Unprecedented Increase in Prices Levels in Gaza Strip**

At the level of prices in Palestine, the severe shortage of commodities entering the Gaza Strip, resulting from the ongoing Israeli occupation of the area, along with its subsequent repercussions on the West Bank and the regional situation's impact on the Gaza Strip, has led to a sharp increase in price levels in the Gaza Strip by more than 227%. Additionally, the consumer price index in the West Bank rose by 3%. This, in turn, caused a decline in the purchasing power of Palestinian consumers by 33% in 2024, with a 70% drop in Gaza Strip and a 3% decline in the West Bank.

**“Prosopects of the Palestinian Economy for 2025: A slight rise amid of strauctural challenges and external pressure”**

The Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA) issued two reports on the economic forecasts for 2025 that are now available on PCBS and PMA websites. Accordingly, those reports forecasted the main indicators of the Palestinian economy for 2025, 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).

The assumptions of the baseline scenario of economic forecasts for 2025 indicate that the status quo remains the same without any significant change regarding the current political and security conditions. According to this scenario, the Palestinian economy will continue to face severe restrictions on trade movement and crossings, with the near complete cessation of economic activities in Gaza Strip due to the massive destruction caused by the Israeli aggression there, as well as a major disruption in Palestinian labour movement to Israel.

This scenario also assumes a continued deterioration in the Palestinian Government's financial situation, due to withholding clearance revenues by the Israeli occupation, in addition to the decline in domestic revenues due to the decline in economic activity and the business cycle. In terms of grants and international aids, this scenario assumes that aid levels will remain at their current low levels. In addition, developments in the Red Sea region and the Bab al-Mandeb Strait are expected to continue to affect transport and maritime insurance costs, thus negatively affecting trade movement.

According to this scenario, the Palestinian economy is expected to start recording a slight rise from 1.0% to 2% in 2025, compared to the sharp contraction of about 28% in 2024, which is considered one of the largest economic downturns in Palestine's history. Despite this expected slight growth, it does not reflect a significant improvement in the economic performance, but is mainly attributed to the impact of the comparison base with a year of unprecedented contraction in various economic sectors.

The highest-contributing components of GDP are expected to contribute to this anticipated growth, driven by a growth in private consumption expenditure as well as a growth in the value added of major economic activities. This growth is expected to be accompanied by a decrease in unemployment rates to reach 49.2%, compared with 51.2% in 2024.

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.