

Palestinian Central Bureau of Statistics (PCBS)

Press Report Of Economic Forecasting For 2016

Ms. Ola Awad, President of the Palestinian Central Bureau of Statistics (PCBS), has reviewed the performance of the Palestinian economy during 2015, as well as the economic forecasts for the year 2016.

Palestinian Economic¹ Performance during 2015

The preliminary estimates for 2015 compiled in accordance with data available for the first three quarters of the year, and indicators for the fourth quarter 2015 used to estimate the data for that quarter. It should be noted that data will be revised after the completion of collection of data from relevant sources.

Rise in the Gross Domestic Product (GDP) and GDP per capita during 2015

Preliminary estimates indicated an increase in GDP in Palestine by 3.5% during 2015 compared with 2014; GDP per capita has increased by 0.5% during 2015 compared with 2014.

The largest contributor to the increase in GDP in 2015 was the services and other items activity, which rose by 3.1% and the total number of employees increased by 6.1%. The second contributor was the construction activity with a gross value added rising by 2.1% compared to 2014. The total number of employees in the construction activity also increased by 9.7%.

Preliminary estimates of Palestinian labor market indicators

Preliminary estimates indicated an increase in the number of employed persons in the Palestinian labor market by 6.0% in 2015 compared to 2014. The increase was attributed to the high increase in the number of workers in the services and construction activities. Preliminary estimates also showed that 11.1% of employed persons worked in Israel, compared to 10.7% in 2014.

Unemployment rate dropped from 27.5% in 2014 to 26.6% in 2015, as a result of the increase in the number of workers in economic activities and Israel.

An increase in exports and imports of goods and services during 2015.

Preliminary estimates of Palestinian foreign trade movements, represented in exports and imports, indicated that the value of exports increased by 8.4% compared to 2014 and the value of imports increased by 6.7% compared to 2014.

Prices²

Preliminary estimates show that the average of overall consumer prices index in Palestine has increased by 1.5% during 2015 compared with 2014.

¹ Data at constant prices with 2004 as the base year. Data excludes those parts of Jerusalem Governorate, which were annexed by Israel in 1967. Data for 2015 were based on preliminary estimates and may be revised.

² Data includes those parts of Jerusalem governorate which were annexed by Israel in 1967.

Economic Forecasts³ for 2016

These forecasts were developed based on various scenarios for Palestine, which do not differentiate the West Bank from the Gaza Strip despite the gap between them, and in consultation with local economists, the Ministry of Finance and the Palestinian Monetary Authority. Each scenario took into consideration internal political and economic circumstances for 2016, the blockade imposed upon the Gaza Strip, foreign aid, Israeli measures in Palestine, the number of Palestinian workers in Israel, and economic and social variables.

1. Baseline Scenario⁴

This scenario is based on the assumption that the economic and political situation in Palestine will remain the same as it was during 2015. 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 Israel and improved tax collection efficiency, an increase of government transfers, increased the value of the credit facilities. It assumes that the number of public sector employees will remain constant. It assumes that obstacles placed by Israel on the movement of people and goods inside Palestine, between regions, or with neighboring countries, will be the same as in 2015, in addition to natural population growth in Palestine.

Expectations of Base Scenario

Real Sector:

Gross Domestic Product (GDP): It is expected to increase by 3.8% in 2016; the value of GDP per capita is also expected to increase by 0.9%, and the value of gross consumption (private and public) is expected to increase by 3.3%. The value of total investment is expected to increase by 3.2%.

Work and Workers: An increase of 7.7% in the number of employees is anticipated and the unemployment rate is expected to reach 25.0% in 2016.

Fiscal Sector:

A 4.6% 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 1.7%, and a decrease of 3.5% of the public budget deficit (central government).

External Sector:

A decrease of 0.6% is anticipated in the net current account⁵ deficit value of Palestine and an increase of 1.9% in the trade balance deficit value. This is attributed to the expected rise in the value of Palestinian imports by 3.9%, with an increase in value of Palestinian exports by 7.4%, increases in net factor income value by 7.7%, increases in gross national income value and in gross national disposable income by 4.2%, 3.9% respectively.

2. Optimistic Scenario

This scenario is based on an improved political and economic situation due to greater political reconciliation between West Bank and Gaza Strip, the reconstruction of Gaza Strip, and assistance

³ Data at constant prices with 2004 as the base year . Data excludes those parts of Jerusalem governorate which were annexed by Israel in 1967

⁴ The assumptions from the Finance Ministry are preliminary assumptions.

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

provided by donor countries to finance the budget of the State of Palestine (central government) increased by 6.0% compared to 2015. It also assumes uninterrupted transfer of clearance revenues and improved tax collection efficiency, with more income tax revenues, domestic value-added tax, and clearance value added tax by 6.0% and 13.0%, respectively, increased development expenditure by 61.4%, and increased government transfers by 5.0%. It also assumes that obstacles placed by Israel on the movement of people and goods inside Palestine, between regions, or with neighboring countries reduced compared with 2015, 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 2016 and GDP per capita will increase by 4.0%. It also assumes that gross consumption value (private and public) will increase by 4.8% and the value of total investments will increase by 14.8%.

Work and Workers: An increase of 11.6% in the number of employees is anticipated and the unemployment rate is expected to decrease to 23.1% during 2016.

Fiscal Sector:

An increase in the value of government revenues of 13.4% is anticipated, an increase in the value of government expenses of 9.8%, and an increase in the public budget deficit value (central government) of 3.5%.

External Sector:

A decrease of 17.2% in the net current account deficit value of Palestine is anticipated and an increase of 4.1% in the trade balance deficit value, due to the increasing the value of Palestinian imports by 6.4%. The value of net factor income is expected to increase by 24.9%, 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 8.6%, and gross national disposable income value by 9.7%.

3. Pessimistic Scenario

This scenario accounts for the deterioration in the volatile political and economic situation and in political reconciliation between West Bank and Gaza Strip. It assumes reduced aid from donor countries to finance the budget of the State of Palestine (central government), an increase in tax evasion, fluctuations in the transfer of clearance revenues, with a 13.0% decline in both revenues of the domestic value added tax and clearance value added tax. It also presumes a decline of income tax revenues by 22.0%, and a drop in value of government transfers by 13.0%. It assumes that obstacles placed by Israel on the movement 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 and a halt to negotiations.

Expectations of the Pessimistic Scenario

Real Sector:

Gross Domestic Product (GDP): GDP is expected to decrease by 2.0% during 2016 and GDP per capita will decrease by 4.8%. In addition, gross consumption value (private and public) will increase by 2.0% and the value of total investments will decrease by 13.5%.

Work and Workers: The number of Palestinian employees in Israel is anticipated to decrease by 35.6% which will lead to an increase of the unemployment rate to reach 27.5% during 2016.

Fiscal Sector:

Government revenues value are expected to decrease by 6.4% 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 11.8%.

External Sector:

The net current account deficit value of Palestine is anticipated to increase by 32.0% due to an expected increase of 4.5% in the trade balance deficit value following an increase in the value of Palestinian imports by 0.7% and a decrease in the Palestinian exports of 6.5%. Net factor income value is expected to decrease by 19.9% assuming that the number of workers in Israel will decrease and constraints imposed within Palestine will increase. A decrease of 3.6% is anticipated in gross national income value and of 5.0% in the value of gross national disposable income.

The most significant outputs of economic forecasts based on the assumed scenarios in Palestine for 2016.

Main Indicators	2014	Preliminary Estimates 2015	Baseline Scenario 2016	Optimistic Scenario 2016	Pessimistic Scenario 2016
Value in Million Dollars					
Gross Domestic Product (GDP)	7,463.4	7,724.6	8,019.5	8,267.0	7,568.4
Gross Final consumption	8,813.1	9,125.2	9,427.8	9,563.3	9,308.5
Gross Capital Formation	1,415.3	1,525.1	1,574.2	1,750.1	1,318.5
Trade Balance	-2,765.0	-2,925.7	-2,982.5	-3,046.4	-3,058.6
Gross Exports	1,461.1	1,584.2	1,701.7	1,752.7	1,481.7
Gross Imports	4,226.1	4,509.9	4,684.2	4,799.1	4,540.3
Value Added of Agricultural Activity	286.4	270.4	280.7	317.2	235.2
Value Added of Industrial Activity	920.4	911.5	988.9	1,035.4	893.1
Value Added of Construction Activity	547.3	558.9	574.7	627.3	475.7
Value Added of Services and Other Items Activity	4,692.0	4,838.7	4,951.7	4,998.8	4,813.2
Gross National Income	8,157.4	8,493.0	8,846.8	9,226.9	8,183.6
Gross National Disposable Income	8,943.0	9,280.1	9,639.7	10,178.3	8,817.8
GDP per capita (Dollars)	1,737.8	1,746.8	1,761.9	1,816.3	1,662.8
Real Average Daily Wage per employee (Dollars)	14.1	14.2	14.1	14.2	14.0
Unemployment Rate (%)	27.5	26.6	25.0	23.1	27.5
Percentage Change (%)					
Percentage Change in Gross Domestic Product	-0.2	3.5	3.8	7.0	-2.0
Percentage Change in Gross Final consumption	3.0	3.5	3.3	4.8	2.0
Percentage Change in Gross Capital Formation	-13.9	7.8	3.2	14.8	-13.5
Percentage Change in Trade Balance	1.4	5.8	1.9	4.1	4.5
Percentage Change in Gross Exports	9.6	8.4	7.4	10.6	-6.5
Percentage Change in Gross Imports	4.1	6.7	3.9	6.4	0.7
Percentage from the GDP (%)					
Percentage Value added of GDP in Agricultural Activity	3.8	3.5	3.5	3.8	3.1
Percentage Value added of GDP in industrial Activity	12.3	11.8	12.3	12.5	11.8
Percentage Value added of GDP in Construction Activity	7.3	7.2	7.2	7.6	6.3
Percentage Value added of GDP in Services and Other items Activity	62.9	62.6	61.7	60.5	63.6

ata at constant prices with 2004 as the base year.

ne gross consumption includes net errors and omissions.

ervices and Other Items (includes services, an addition to electricity supply, Water supply, wholesale and retail trade, transportation and storage, financial and insurance, information and communications, public administration and defense, and households).