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Palestinian Central Bureau of Statistics



سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY

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

Press Release

The Performance of the Palestinian Economy for 2023, and Economic Forecasts for 2024

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 2023 along with the economic forecasts for 2024; 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 2023

A sharp contraction in the gross domestic product in Gaza Strip during the fourth quarter of 2023 by more than 80%, accompanied by a rise in unemployment rates reaching 74%, and a sharp decline in the West Bank by 22%, with an unemployment rate of 29%, which led to a decline in the gross domestic product in Palestine during the fourth quarter 2023 by 33%.

The continued Israeli aggression on Gaza Strip during the fourth quarter of 2023 and the following repercussions on the economy in the West Bank, will lead to a decline in Palestine's GDP in 2023 at about of 6%, with an estimated value of USD 1 billion compared to 2022, where the Palestinian economy was supposed to achieve a growth by 3% in the same year. Palestinian gross domestic product (GDP) dropped by 33% in the fourth quarter of 2023 due to Israeli ongoing aggression on Gaza Strip and repeated raids of the West Bank. This decline is also due to a series of factors, most notably the sharp decline in external support, the continued deduction of parts of tax revenues (clearance) by the Israeli occupation over the year which exceeded NIS 2 billion; where the latest of which was the deduction of salaries of Gaza Strip employees. Gaza Strip domestic product declined in the fourth quarter of 2023 compared with the same quarter in 2022

by more than 80% as a result of the Israeli aggression, which led to the near-total disruption of economic life and the destruction of most of the components of production. Also, GDP recorded a sharp decline by 22% in the West Bank, due to the continued raids of the Israeli occupation on the cities, towns and camps of the West Bank, as well as the closure policy between West Bank governorates and the layoffs of more than 90% of Palestinian workers in Israel and the Israeli settlements, which all, in return, created economic contraction and distorted its economic structure; and thus, it led to the Palestinian government inability to fulfil its financial obligations toward the public and private sectors.

A humanitarian and environmental, social and economic catastrophe led to a structural distortion in the economy of the Gaza Strip's.

About 2.3 million people live in Gaza Strip, in an area that doesn't exceed 365 km². The population density in Gaza Strip is 6,102 individuals/km², where it is considered one of the highest densely populated in the world. The per capita of water also reached less than 2 liters per day compared to 150 liters per day according to the minimum recommended amount by the World Health Organization. Thus, Gaza Strip suffers from demographic pressure on the basic resources of production factors. On the other hand, the series of repeated wars on Gaza Strip, which led to almost complete destruction of the simplest necessities of life for the Palestinian individual. Unemployment rates rose to reach their highest levels, recording 74% during the fourth quarter of 2023. During the fourth quarter of 2023, economic indicators showed a decline in the contribution of Gaza Strip to the gross domestic product in the State of Palestine from about 34% over the years before 2006, to fell to less than 5%, which led to a structural distortion in the Gaza Strip's economy affected its ability to recover. Estimates also indicate that about half of the establishments were completely or partially destroyed as a result of the Israeli aggression on Gaza Strip. The above mentioned indicators show that Gaza Strip has been suffering from a difficult economic situation before the Israeli aggression on Gaza Strip. The ongoing devastating aggression increases the suffering of Gaza Strip, as Gaza is deprived of the least human rights, such as water, electricity, fuel, in addition to a significant shortage of medicines and basic health supplies, which portends a humanitarian and environmental catastrophe.

Almost complete collapse of all economic activities in Gaza Strip during the fourth quarter of 2023, which led to a sharp decline in Palestinian economic

The value added of all economic activities in Palestine dropped in the fourth quarter of 2023 compared to the same quarter of the previous year, where constructions activity recorded the highest decline reaching 39% (27% in the West Bank and 96% in Gaza Strip), followed by agriculture activity with a decline of 38% (12% in the West Bank and 93% in Gaza Strip), then the services activity by 33% (21% in the West Bank and 77% in Gaza Strip), industry activity by 28% (24% in the West Bank and 92% in Gaza Strip), as a result of which all economic activities in Palestine declined in 2023 compared to 2022, where the constructions activity recorded the highest decline of 12%, followed by agriculture, industry activities by 8%, and services activity by 6%.

A sharp decline in the level of consumption in Palestine during the fourth quarter of 2023 by more than 33%, which will, in return, increase poverty rates in Palestine.

At the expenditure level, gross consumption decreased by 33.1% (21% in the West Bank and 80% in Gaza Strip) in the fourth quarter of 2023 compared to the same period in the previous year. The private consumption by households and non-profit institutions and serving households declined by 33%, where public consumption (Government) decreased by 33.4% during the same period, while gross investment (gross capital formation) decreased by 30%. During 2023, GDP per capita declined by 8% and private and government consumption by 3% and 8%, respectively, as well as a decline in the gross investment by 5%.

The trade balance deficit declined by 33% for the fourth quarter of 2023

At the level of the Palestinian trade with the outside world, the fourth quarter of 2023 witnessed a sharp decline in the value of exports of goods and services by 33% along with a decline of 33% in imports during the same period, as a result of the fact that the value of imports is about three times the value of exports, which led to a decline of 33% in the trade balance deficit. It is worth mentioning that before 2006, the volume of trade for Gaza Strip reached 23% of Palestine's total trade. Yet, this percentage declined below 4% in the fourth quarter of 2023. During the recent aggression on Gaza Strip, supply chains from and into Gaza Strip were cut off, which warns of a health catastrophe in all of Gaza Strip due to the sharp decline in medicines and healthcare needs and necessities. While, in 2023, exports, imports and the trade balance recorded a relative stability compared with 2022.

A sharp increase in unemployment rates in Gaza Strip to exceed 74% during the fourth quarter of 2023, while it was 45% in the third quarter of 2023, leading to an increase in the unemployment rate in Palestine to reach 46%.

At the labour and workers level, Palestine is experiencing a regional gap in unemployment rates, during the fourth quarter of 2023, the unemployment rate in Palestine is expected to reach 46% (29% in the West Bank and 74% in Gaza Strip). Unemployment rates in Palestine are estimated to rise from 25.5% in 2022 to 30.7% in 2023 as a result of the Israeli aggression on Gaza Strip and its repercussions on Palestine. Unemployment rate will reach 18% in the West Bank and about 53% in Gaza Strip. Moreover, estimates indicate that there are more than 651 thousand unemployed persons in Palestine; 393 thousand unemployed persons in Gaza Strip and 258 thousand unemployed persons in the West Bank in 2023.

A sharp increase in prices level during the recent Israeli aggression on Gaza Strip in the fourth quarter of 2023 by more than 30%.

In 2023, consumer price index in Palestine increased about of 6% compared to 2022 (4.8% in the West Bank and 9.7% in Gaza Strip), where prices of some basic commodities

rose, which negatively affected the Palestinian household expenditure along with a decline of 5.5% in purchasing value during 2023 in Palestine (4.6% in the West Bank and 8.9% in Gaza Strip); and thus, affecting poverty levels in Palestine, which rose to unprecedented levels, especially in Gaza Strip. Furthermore, the recent Israeli aggression on Gaza Strip in the fourth quarter of 2023 has led to an increase in prices in Gaza Strip by more than 30%.

Expectations of a Continued in the Decline of the Gross Domestic Product in 2024 for the Second Year Respectively

The Palestinian Central Bureau of Statistics (PCBS) and the Palestine Monetary Authority (PMA) also issued two reports on the economic forecasts for 2024 that are now available on PCBS and PMA websites. Accordingly, those reports forecasted the main indicators of the Palestinian economy for 2024, 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).

Based on the baseline scenario, the Palestinian economy is expected to witness a sharp decline in its performance during 2024, after the fact that Gaza Strip has been under unprecedented Israeli aggression since the beginning of the fourth quarter of this year. Hence, it is expected that this brutal Israeli aggression on Gaza Strip will continue with the same intensity and brutality until January 2024. Thus, the consequences of which will not only be limited on Gaza Strip, whose buildings and infrastructure have been destroyed but also will extend to reach the West Bank, and negatively affect most of its economic sectors and activities.

Accordingly, this Israeli aggression is expected to cause a decline in the levels of domestic demand, especially in regard to investment and consumption expenditure for individuals and households, as a result of the almost complete interruption of the business cycle in Gaza Strip. In addition, economic activity in the West Bank has been affected by the consequences of this aggression, by the decline in commercial movement, passengers movement and Palestinian employment in the Israeli labour market, and by clearance money movement with the Israeli side and other vital sectors, whose final outcome has been reflected in the overall performance of the Palestinian economy.

Based on this scenario, the results of the forecasts indicate that the performance of the Palestinian economy will continue to decline during 2024 and for the second year in a row by a percentage of almost 5%, driven by the decline in consumption and investment expenditure and exports, and the decline in the value added of economic activities. It is

expected that a rise in unemployment rates will accompany this decline, where it is expected to reach 35.1%, compared with 30.7% in 2023.

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.

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