



## Press Release

### **MAS Hosted the IMF Presentation “Regional Economic Outlook for the Middle East and Prospects for the Palestinian Economy”**

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Wednesday, 16 November 2016, Ramallah. Today the Palestine Economic Policy Research Institute (MAS) hosted the annual presentation of the International Monetary Fund (IMF) titled “Regional Economic Outlook for the Middle East and Prospects for the Palestinian Economy”.

The presentation was organized in two parts, the first one of which covered the most recent edition of the “Regional Economic Outlook: Middle East and Central Asia”, published by the IMF in October this year. The presentation was delivered by Mr. Ragnar Gudmundsson, IMF Resident Representative for the West Bank and Gaza. According to the IMF, low oil prices and continuing conflicts are the main determinants of the short-term outlook for the Middle East, North Africa, Afghanistan, and Pakistan (MENAP). The uncertainties resulting from the ongoing conflicts in Iraq, Libya, Syria, and Yemen continue to weaken confidence. Meanwhile, the overall impact of low oil prices is



ambiguous: oil importers are benefiting, while oil exporters are facing declining remittances. The IMF forecasts 2016 MENAP economic growth to be 3.5%, compared to 4.1% for global emerging markets and developing economies. Only a minor improvement is expected in 2017. For oil exporters in the region, oil prices remain the key driver of economic outlook. Economic activity in the Gulf Cooperation Council (GCC) countries is projected to decline as a result of fiscal tightening and dropping liquidity in the financial sector, which will drive non-oil growth to 1.75%, down from 3.75% in 2015. Non-oil growth is expected to pick up to 3% next year. With regards to oil importers, recent reforms and low oil prices improved macro-economic stability in these economies. Still, growth is forecast at 3.5% for this year and 4.25% in 2017. The IMF highlighted the urgent need for structural reforms across the MENAP region to improve medium-term prospects and create jobs.

The second part of the presentation focused on recent developments and prospects for the Palestinian economy and was delivered by Ms. Hania Qassis, Local Economist at the IMF Representative Office for the West Bank and Gaza. According to the IMF, the main drivers of economic trends in 2016 have been the transfers from the Government of Israel (GoI) to the Palestinian National Authority (PNA), the Palestinian victory in the Sokolow Case, the Israeli-Palestinian corresponding banking relations, the low disbursement of foreign aid for the reconstruction of the Gaza Strip, and the public and private sector strikes. The IMF projects economic growth in 2016 to reach 2.7% in the West Bank and 5.5% in Gaza, for a national level of 3.3%. Medium-term growth is forecast at 3.5%. Per capita growth, however, will be negative. Unemployment remains a major problem in the Palestinian economy, especially among Gaza youth. In terms of the fiscal situation, fiscal pressures have been easing as a result of the efforts of the PNA. Nevertheless, further structural reforms are needed to bring about fiscal consolidation. The IMF stressed the importance of more donor aid and the need to improve cooperation between the GoI and the PNA in economic matters.