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PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE (MAS)

Palestine Economic Update

February 2025

Key Messages :

- As the fragile ceasefire since January is held into its second month, Gaza endures immense destruction, with up to 92% of all housing units damaged or destroyed.
- There is an urgent need for relief, shelter, and essentials, with reconstruction efforts most recently estimated to cost over \$53 billion.
- Israeli military operations in the West Bank cause widespread destruction, killing 44, arresting hundreds, and displacing at least 40,000 Palestinians.
- The Israeli Knesset approves a bill allowing settlers to purchase land in the West Bank without restrictions.
- Israel's ban on UNRWA operations officially takes effect, and Israeli forces begin evacuating and closing UNRWA premises in East Jerusalem.
- Banks resume operations in Gaza, but only four branches have opened as the region continues to face severe cash shortages.

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1. Gaza Situation Update

On January 19, a ceasefire agreement took effect in the Gaza Strip after 470 days of a genocidal war, leaving behind immense human and infrastructural devastation. By February 3, the death toll had reached 47,518, with an additional 11,200 people still missing under the rubble and 111,612 injured.¹

A damage assessment using satellite imagery revealed that by December 1, 2024, 69% of structures in Gaza had been destroyed, equating to 436,000 damaged or destroyed housing units—around 92% of all housing units in the Gaza Strip.² This has left approximately 1.87 million Palestinians urgently needing shelter and household essentials. Gaza City and Khan Yunis have suffered the most, with 46,000 and 42,000 buildings destroyed, representing about 74% and 51% of the total buildings in those areas.

Since January 27, 560,000 displaced Gazans have returned to North Gaza.³ The ceasefire agreement allows 600 aid trucks to enter Gaza daily, with half designated for the northern part of the Strip.⁴ Nearly 1 million people have received food assistance since January 19, with the World Food Programme delivering 8,500 metric tonnes of food.⁵ OCHA reports that around 138,000 people have received cash assistance since the ceasefire.⁶ While daily aid shipments have increased, humanitarian needs remain critical, particularly food, shelter, and basic necessities.⁷ Around 257 health service points are operating in Gaza, providing primary care, but 12,000–14,000

patients still require medical evacuation despite the ceasefire.⁸

1.1 Debris Removal and Reconstruction Costs

As of December 1, 2024, the destruction in Gaza has resulted in 50.7 million metric tonnes of debris, with an average of 365 kg of debris per square meter.⁹ This amount is 17 times greater than the debris produced in all previous conflicts since 2008. Based on United Nations Environment Programme (UNEP) estimates, clearing this debris will cost over \$909 million.¹⁰ Estimates from the PA Minister of Public Works and Housing Ahed Bseiso suggest that with the necessary equipment and resources to handle explosives, debris removal could take 3 to 5 years.¹¹ By February 19, Israel had allowed only six machines to enter Gaza despite the ceasefire agreement stipulating the entry of 500 heavy equipment units.¹²

Recent UN estimates place the total cost of reconstruction at \$53 billion, based on damage and loss estimates for the first 12 months of the war.¹³ Of this amount, \$20.568 billion is needed for the first three years of recovery. Seven key sectors account for about 70% of the recovery needs, with additional needs for mental health and psychosocial support, disability services, and assistance for survivors of gender-based violence. Funds are also needed for the long-term revival of the labour market, given the significant number of injuries and fatalities.¹⁴

1 https://www.pcbs.gov.ps/site/lang_ar/1405/Default.

2 <https://unosat.org/products/4047>

<https://tinyurl.com/39hs9h2w>

3 <https://www.ochaopt.org/content/humanitarian>

4 <https://tinyurl.com/ke8murnj>

5 <https://www.ochaopt.org/content/humanitarian>

6 <https://www.unocha.org/news/todays-top-news->

7 <https://news.un.org/en/story/2025/01/1159216>

8 <https://tinyurl.com/3atkc8y4>

<https://www.ochaopt.org/content/>

9 <https://tinyurl.com/4ywkjhwh>

10 <https://tinyurl.com/366p5z7t>

11 <https://www.wafa.ps/Pages/Details/112460>

12 <https://www.palestinechronicle.com/israel-allows-only>

13 <https://tinyurl.com/yc7y2c4k>

14 <https://www.bnews.ps/index.php/ar/node/24464>

Table 1: UN Estimates of the Top Seven Recovery and Reconstruction Needs by Sector

| Sector | Amount (Billion USD) | Share of Total (%) |
|-----------------------|----------------------|--------------------|
| Housing Sector | 15.2 | 28.60 |
| Commerce and Industry | 6.9 | 12.98 |
| Agriculture | 4.2 | 7.90 |
| Social Protection | 4.18 | 7.87 |
| Transport | 2.9 | 5.46 |
| Water and Sanitation | 2.7 | 5.08 |
| Environment | 1.9 | 3.58 |

Source: UN Secretary-General Report (A/79/739)

On February 18, the World Bank, United Nations (UN), and European Union (EU) released their Interim Rapid Damage and Needs Assessment (IRDNA), offering a detailed evaluation of the destruction, economic losses, and urgent needs resulting from the first twelve months of the ongoing war.¹⁵ The assessment estimates that damage to physical infrastructure in Gaza amounts to approximately \$29.9 billion, while economic and social losses total \$19.1 billion—bringing the overall impact to \$49 billion. Housing sustained the most severe physical damage, accounting for 53% of total damages, followed by commerce and industry (20%), transport (8%), and water, sanitation, and hygiene (WASH) infrastructure (5%). The damages alone equate to 1.8 times the Palestinian GDP. These indirectly calculated estimates remain to be confirmed and updated in light of actual field enumeration of the exact extent of losses. Moreover, these estimates do not include the final three months of the war preceding the ceasefire declaration.

¹⁵ <https://tinyurl.com/mpvrdead>

1.1 Reconstruction Planning

On February 10, an \$80 million Memorandum of Understanding (MoU) was signed between the UNDP and the Arab International Organization for Construction in Palestine (AIOCP) to enhance cooperation in early recovery efforts in the Gaza Strip, under the guidance of the PA Ministry of Public Works and Housing.¹⁶ As part of this partnership, the AIOCP plans to temporarily employ 700 field engineers to conduct comprehensive damage assessments of public infrastructure, main roads, and the housing sector. Additionally, the MoU focuses on strengthening coordination to advance debris removal and rubble management by identifying priority areas, designating collection sites, and promoting recycling efforts that align with community needs and rights.

Of the total \$80 million, \$40 million is allocated to transitional housing, damage assessment, and technical assistance.¹⁷ The Ministry of Public Works and Housing has already begun working with the UNDP to reopen roads and recycle rubble. The next steps are focused on clearing rubble from 150 public buildings, including schools, hospitals, and mosques, and paving additional roads.¹⁸

2. West Bank Under Reoccupation

On 21 January, the Israeli military launched Operation “Iron Wall” in Jenin, employing airstrikes, helicopter gunfire, and ground forces.¹⁹ The operation expanded on 28 January to Tulkarm city, its two refugee camps, Tammun town, and El Far’a refugee camp in Tubas. As of 13 February, Israeli forces have killed at least 44 Palestinians

¹⁶ <https://tinyurl.com/2jxjxvzu>

¹⁷ <https://tinyurl.com/ycyx4c79>

¹⁸ <https://www.wafa.ps/Pages/Details/112460>

¹⁹ <https://www.ochaopt.org/content/humanitarian>

in the operation, and arrested hundreds.²⁰ Since the start of 2025, Israeli forces and settlers have killed 73 Palestinians, including 11 children.²¹ More than 40,000 people have been displaced from the refugee camps and surrounding areas in Jenin, Tukarm, and Tubas.²² Jenin refugee camp is nearly empty, with large parts destroyed. On 23 February the Israeli Defense Minister announced that Israel has reoccupied Jenin and Tulkarem refugee camps, deep in Area A under nominal PA jurisdiction, will not allow the expelled residents to return, and will remain there for the coming year to continue the military campaign in the West Bank.²³

Widespread destruction of homes, infrastructure, and economic facilities has deepened the economic downturn since the start of the war on Gaza, with Palestinian businesses operating at less than half capacity.²⁴ Damage to water and sanitation systems in the refugee camps has contaminated clean water, creating severe health risks. Access restrictions on farmland threaten the livelihoods of thousands, with 2,800 dunums of greenhouses and 10,000 dunums of fertile fields in Tammun affected. Livestock are also at risk due to supply chain disruptions, worsening food insecurity, and economic losses, while Israeli settler gangs regularly, attack, poison, and steal the herds of Palestinian pastoral farmers.²⁵

2.1 Escalating Military and Legal Assaults

Israeli military attacks in the West Bank intensified following the ceasefire in Gaza, alongside settler violence, increased movement restrictions, and legislative changes setting the scene for looming Israeli annexation. In January alone, the Palestinian Colonization and Wall Resistance Commission

recorded 2,161 attacks by Israeli forces and settlers, including 1,515 assaults on individuals, 107 cases of land sweeping and settler land grabs, assaults on 200 Palestinian properties, and the destruction of 960 olive trees.²⁶ Israeli forces also demolished 126 Palestinian structures, including 48 economic establishments and 74 homes.

Since early 2025, Israel has installed 18 new iron gates, raising the total number of military checkpoints and barriers to 898—up from 642 before the war on Gaza and 793 in March 2024.²⁷ These restrictions fragment communities, obstruct access to essential services and jobs, and paralyze daily life.²⁸ Meanwhile, Israel is expanding AI-driven biometric surveillance at key checkpoints, leading to more movement restrictions, targeted detentions, and access denials.²⁹

On 29 January, the Israeli Knesset advanced a bill allowing direct Israeli land purchases in the West Bank, bypassing military oversight and facilitating settlement expansion.³⁰ Previously, only pre-approved Israeli companies registered with the Israeli Civil Administration could conduct land transactions in the West Bank.³¹ The new Israeli bill would repeal Jordanian Law No. 40 of 1953, which barred foreign land ownership in the West Bank and was applicable in the West Bank before Israel occupied it in 1967. This change further removes restrictions on settler land acquisitions.³² The move aligns with previous military orders (including No. 811, 847, and 58) designed to ease Israeli land acquisitions in the West Bank.

The PA news agency condemned the bill as violating international law, warning it

20 <https://www.ochaopt.org/content/humanitarian>

21 <https://www.ochaopt.org/publications>

22 <https://tinyurl.com/2s88t2fu>

23 <https://www.bbc.co.uk/news/articles/cg70r9enm7po>

24 <https://www.mne.gov.ps/newsdetails>

25 <https://www.ochaopt.org/content/humanitarian>

26 <https://www.cwrc.ps/page-2656-ar.html>

27 <https://english.wafa.ps/Pages/Details/>

<https://tinyurl.com/y6kth78u>

28 <https://tinyurl.com/thhru2mn>

29 <https://tinyurl.com/4r9excty>

30 <https://tinyurl.com/2s4b2jdz>

31 <https://www.timesofisrael.com/>

32 <https://www.newarab.com/news/>

paves the way for land fraud.³³ It would allow illegal settlers, with a long history of seizing Palestinian land through force and intimidation, to expand land fraud and theft, enabling the registration of stolen property and the growth of settlement outposts.³⁴ Rights groups note that the Knesset lacks authority to legislate in occupied territory, and applying Israeli law to the West Bank constitutes a “blatant violation” of international law.³⁵

The new bill comes as Israel continues to confiscate more land in the West Bank.³⁶ Since October 2023, Israeli forces have seized at least 27,000 dunams of West Bank land, including over 250 dunams in January 2025. These legal, military, and territorial manoeuvres reflect a broader strategy to advance measures that, alongside the reoccupation of Area A, add up to effective annexation in the West Bank.

3. Israel Bans UNRWA: A Systematic Attack on Palestinian Refugees

On January 30, Israel's ban on UNRWA's operations officially came into effect following a majority vote in the Knesset.³⁷ This follows the passage of two laws last October, with overwhelming support, to prohibit all UNRWA activities within the “State of Israel,” including East Jerusalem under Israeli law, and to criminalise communication between Israeli officials and the agency.³⁸ Most notably, Israel is withdrawing from the 1967 Comay-Michelmores agreement, which obliges Israel to allow UNRWA's international staff and vehicles to move freely within, into, and out of its territory.³⁹

33 <https://english.wafa.ps/Pages/Details/153939>

34 <https://www.palestinechronicle.com/>

35 <https://www.newarab.com/news/israeli-mks-push-draft->

36 <https://tinyurl.com/49tv8t4z>

37 <https://www.bbc.co.uk/news/articles/cx257j4v0xpo>

38 http://fs.knesset.gov.il/25/law/25_Isr_5106948.pdf
https://fs.knesset.gov.il/25/law/25_Isr_5106937.pdf

39 <https://www.ochaopt.org/sites/default/files/>
<https://tinyurl.com/yc3sftxh>

Following the ban, Israel escalated its institutional attack on UNRWA by revoking visas for the agency's 40 international employees, forcing their relocation to Jordan.⁴⁰ On January 24, Israel's Permanent Representative to the United Nations sent a letter to the Secretary-General demanding that UNRWA cease operations and evacuate all premises in occupied East Jerusalem by January 30.⁴¹ On February 18, Israeli forces and Jerusalem Municipality personnel forcibly entered the UNRWA Qalandiya Training Centre, ordering its immediate evacuation.⁴² The same day, Israeli police, accompanied by Ministry of Education staff, raided three UNRWA schools in East Jerusalem and ordered their closure.

3.1 UNRWA Operations

UNRWA provides education and healthcare services to 110,000 Palestinian refugees in East Jerusalem, including six schools with 792 students, a training centre with 344 students, and a health centre serving 36,085 registered patients.⁴³ Additionally, UNRWA offers solid waste management services in the Shu'fat Camp.

Although the ban does not yet extend to UNRWA operations in the West Bank and Gaza, restrictions on communication and movement of goods and staff threaten UNRWA's operations there, undermining the agency's critical support to 2.4 million registered Palestinian refugees—42% of the total.⁴⁴ This includes 384 schools and 67 healthcare centres, as well as infrastructure, relief, and social services.⁴⁵ While the full impact of the ban remains unclear, it severely disrupts humanitarian

40 <https://news.un.org/ar/story/2025/01/1138701>

41 <https://tinyurl.com/4pa6k8uy>

42 <https://tinyurl.com/mrxbtwt9>

43 <https://www.wafa.ps/Pages/Details/112860>
<https://tinyurl.com/343s986j>

44 <https://tinyurl.com/yc8emyya>

45 <https://www.unrwa.org/sites/default/files/>

efforts, particularly in Gaza.⁴⁶ UN Secretary-General António Guterres has noted that no organisation can replace UNRWA's role.⁴⁷ Palestine Central Bureau of Statistics (PCBS) data confirms it is the largest social assistance provider in Palestine, supporting 37.6% of households receiving aid.⁴⁸

Established by the UN General Assembly in 1949, UNRWA was mandated to provide essential services to Palestine refugees forcibly displaced upon the creation of Israel.⁴⁹ The agency is crucial in safeguarding Palestine refugee rights, history, and identity—particularly the right to return to their homes in Palestine and receive compensation for their losses (as per UN General Assembly resolution 194 of 1949).⁵⁰ The latest ban is part of a sustained effort to undermine the agency's legitimacy in a broader attempt to erase the legal and institutional frameworks that uphold the rights of Palestinian refugees.⁵¹ It follows years of financial and political attacks, including the freezing of U.S. aid in 2018⁵², broader international funding cuts, and the recent passage of a law designating UNRWA as a "terrorist organisation."⁵³

4. Banks Re-open in Gaza

On January 28, the Palestine Monetary Authority (PMA) announced a phased resumption of banking services in the Gaza Strip, starting with reopening three to four branches in Deir Al-Balah and Nuseirat.⁵⁴ Further expansion depends on the stability of communication networks, reliability of electricity supply, staff availability, and security conditions.

46 <https://tinyurl.com/5cd8cw9b>
<https://www.bbc.co.uk/news/articles/cx257j4v0xpo>

47 <https://tinyurl.com/39hs9h2w>

48 <https://www.pcbs.gov.ps/Downloads/book2573.pdf>

49 <https://www.unrwa.org/who-we-are/frequently-asked>

50 <https://tinyurl.com/yp4u6vbu>

<https://tinyurl.com/mr4fkh9p>

51 <https://tinyurl.com/n5djh4eh>

<https://tinyurl.com/2s3ccss8>

<https://x.com/UNLazzarini/>

52 <https://tinyurl.com/5n7d828k>

53 <https://www.theguardian.com/world/2024/oct/28/>

54 <https://tinyurl.com/y8syb8wd>

Before the war, Gaza had 56 bank branches, most now reduced to rubble.⁵⁵ As of December 2024, only 3 of 94 ATMs were partially functional, with severe cash shortages forcing banks to halt withdrawals.⁵⁶ Of the \$290 million held in vaults pre-war, around \$180 million was looted in the early months of the war.⁵⁷ Cash shipments to Gaza remain halted due to unresolved security and logistical requirements. Secure storage facilities, such as reinforced vaults and enhanced security measures, are also unavailable amid the ongoing crisis.

PMA's newly appointed Governor, Yahya Shunnar, urged the public to use electronic payment systems amid Gaza's cash shortages, highlighting IBURAQ—an instant transfer platform launched in May 2024 that allows free inter-bank transfers of up to \$1,000.⁵⁸

4.1 New Directive on Postponed Loan Instalments

On 20 January, the Palestine Monetary Authority (PMA) issued new instructions to address the accumulation of unpaid loan instalments during the war.⁵⁹ The measures were formalised under Decree Law No. (3) of 2025, signed by the Palestinian president on 16 January, regulating loan maturities, instalment payments, and financial leasing obligations.⁶⁰

The decree requires borrowers to repay postponed instalments through a new loan from banks, offered at a reduced interest rate of 4.2% (aligned with interbank lending rates). Borrowers can either repay this new loan alongside their original instalments or extend their repayment period—particularly if the new instalments push their debt

55 <https://www.bnews.ps/index.php/ar/node/24516>

56 <https://tinyurl.com/zdzhzfz>

57 <https://www.bnews.ps/index.php/ar/node/24516>

58 <https://tinyurl.com/y8syb8wd>

59 <https://tinyurl.com/2p97rbdr>

60 <https://www.wafa.ps/Pages/Details/111987>

burden above 50% of their salary, which typically violates existing regulations. These measures apply immediately to West Bank public sector employees and, from July 2025 to Gaza residents. Banks are prohibited from charging fees or commissions on postponed instalments, and customers have ten days to object upon receiving notification from their bank. Borrowers must coordinate with banks to restructure their loans in line with their repayment capacity.

In the first few weeks of the war, the PMA instructed banks to suspend loan collections in Gaza, a measure extended until the end of June 2025. In the West Bank, due to the PA's fiscal crisis and partial salary payments, the PMA repeatedly directed banks to reschedule and postpone loan instalments for public servants. However, banks were allowed to open "overdraft accounts" to cover monthly loan payments amid salary disruptions. These overdrafts, accruing interest at bank-determined rates, left employees burdened with growing debts as instalments piled up. While the PMA's instructions offer clarity and borrower protection, the severity of Gaza's crisis warrants exploring conditional loan forgiveness programs.

The PA, facing a worsening fiscal crisis, has already exceeded its borrowing limit from local banks. By the end of 2023, PA borrowing stood at \$2.8 billion—23.6% of total credit facilities—while loans to public sector employees reached \$1.95 billion. Together, the PA and its employees account for around 40% of total bank lending, posing a growing risk to the banking sector and leaving little room for further credit. Roughly 45% of PA employees have bank loans—42% in the West Bank and 50% in Gaza.⁶¹

5. January Trading Activity

The Al-Quds index rose by 0.84% in January 2025, reaching 502.49 points on the final trading day.⁶² A total of 72.6 million shares were traded, valued at \$83.3 million, reflecting a significant increase of 390.7% in volume and 261.5% in value compared to the previous month. This surge was primarily driven by a single transaction on January 15, in which PADICO sold 58,571,186 shares owned by its subsidiaries at the market price of \$1.01 per share.⁶³ The sale aimed to reduce debt and boost cash liquidity to support future investments aligned with the company's vision. The shares were purchased by Masar and Siraj companies, both affiliated with Bashar Masri, Chairman of PADICO's Board of Directors.

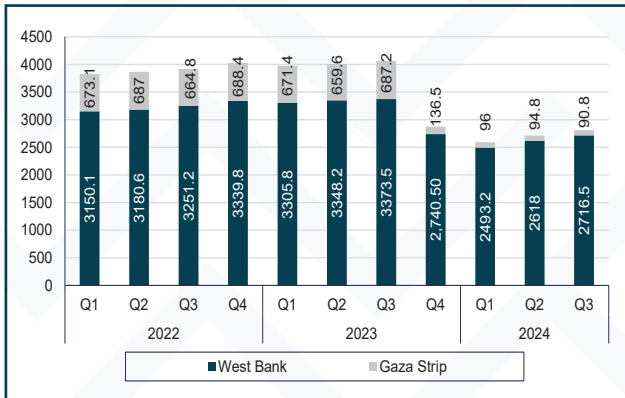
61 <https://www.alhaya.ps/ar/Article/162960/>

62 <https://tinyurl.com/389999t4>

63 <https://tinyurl.com/4yJz2vcf>

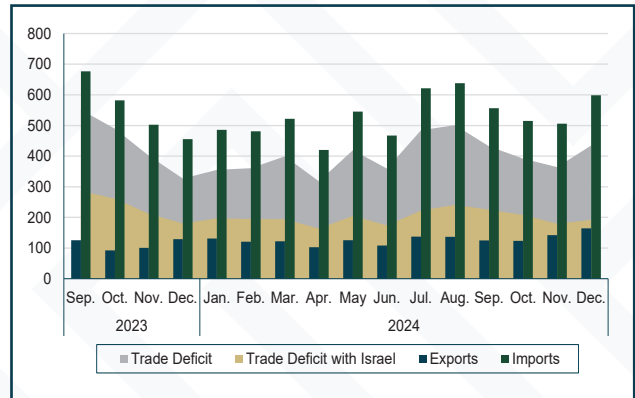
Gross Domestic Product

Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region, Q1 2022 - Q3 2024



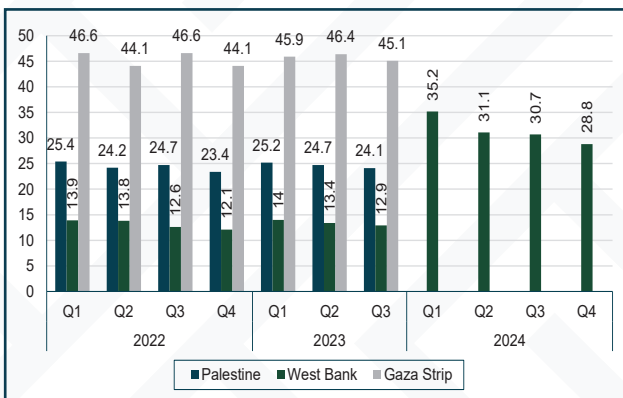
Trade

Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel (million USD) in Palestine, September 2023 - December 2024



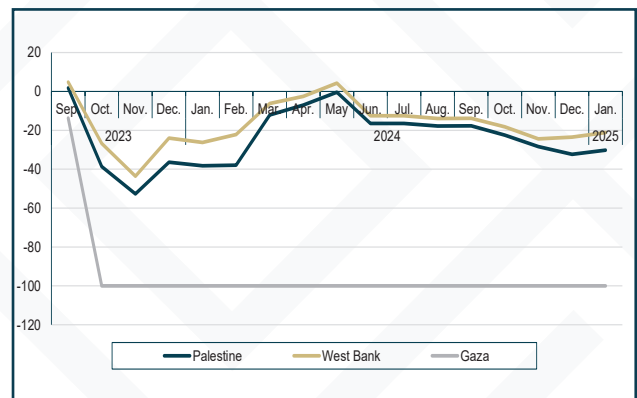
Unemployment

Quarterly Unemployment (%) in Palestine by Region, Q1 2022 - Q4 2024



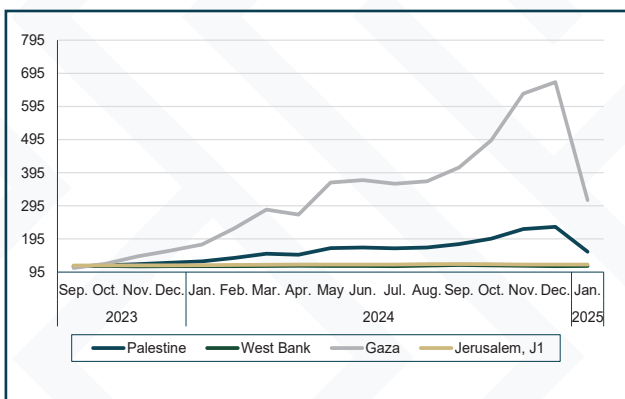
PMA Business Cycle Index

Monthly Palestine Monetary Authority Business Cycle Index, September 2023 - January 2025



Inflation

Monthly Consumer Price Index (Base year = 2018) in Palestine by Region, September 2023 - January 2025



Banking

Monthly Customer Deposits and Credit Facilities (million USD) in Palestine, September 2023 - December 2024

