



MAS

PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)

# Palestine Economic Update

## July 2025

### Key Messages :

- The humanitarian catastrophe in Gaza has reached unprecedented levels, with over two hundred thousand killed, injured, maimed and orphaned, hundreds of thousands traumatised, as hunger pushes one in five people to the brink of famine. Over 147 people, including 88 children, died from starvation.
- Israel continues to block essential aid and shelter materials, weaponizing humanitarian relief to enforce displacement and turning food distribution points into Israeli free-fire zones, as Gaza's health, agricultural, and sanitation systems have collapsed.
- Israel continues to withhold clearance revenue transfers designated for May and June, pushing the PA further into a deeper fiscal and liquidity crisis. As the PA struggles to secure sufficient funding, it announced cuts to operations, limiting service delivery in critical sectors.
- In a study day to assess competing post-war reconstruction plans for Palestine, homegrown spatial and reconstruction plans, as well as the political agendas behind international frameworks rooted in "disaster capitalism," were highlighted.

## 1. The Humanitarian Catastrophe in the Gaza Strip Worsens

As Israel's assault on Gaza enters its 21st month, what was once termed 'unprecedented devastation' has become an understatement. As of 26 July, 59,733 Palestinians have been killed by Israel, and more than 144,000 injured.<sup>1</sup> Nearly half of those killed and 70% of the wounded are women and children. An estimated 40,000 children have lost at least one parent, including 17,000 who have lost both.<sup>2</sup>

The war has generated over 50m tons of debris, with Israel dropping around 100,000 tons of explosives and burying at least 11,400 Palestinians, still estimated to be under the rubble.<sup>3</sup> As of 2 May, more than 174,000 buildings were damaged or destroyed, equivalent to 70% of Gaza's structures.<sup>4</sup> UN figures from April estimate that 92% of residential buildings, about 436,000 homes, have been affected.<sup>5</sup> Conditions have since deteriorated further.

By 11 July, 86.1% of Gaza's territory was classified as Israeli-militarised zones, subject to displacement orders, or both.<sup>6</sup> Since the ceasefire collapsed in March and through 11 July, more than 725,000 people have been displaced again.<sup>7</sup> Since 2023, nearly the entire population has been repeatedly displaced, with some families experiencing displacement over ten times. To add to the devastation, Israel continues to prohibit essential shelter material from entering Gaza, with nearly 980,000 shelter items stockpiled outside Gaza's borders, awaiting clearance.<sup>8</sup>

### 1.1 A Starving Population and Cruel Food Distribution Mechanisms

On 12 May, the Integrated Food Security Phase Classification (IPC) released its analysis of food insecurity in Gaza from 1 April to 10 May 2025, along with projections for the period from 11 May to 30 September 2025.<sup>9</sup> Following nearly 100 days of total blockade on humanitarian aid and commercial supplies, combined with the widespread destruction of agricultural infrastructure, Gaza's population is facing catastrophic levels of food insecurity, with one in five people on the brink of starvation.

The IPC projects that from mid-May to the end of September, the entire Gaza Strip will remain classified under Emergency (IPC Phase 4), with 100% of the population facing Crisis or worse levels of acute food insecurity (IPC Phase 3 or above). This includes 470,000 people (22%) in Catastrophe (IPC Phase 5), over 1m (54%) in Emergency (IPC Phase 4), and the remaining 500,000 (24%) in Crisis (IPC Phase 3).

These figures mark a sharp deterioration from the previous IPC analysis in October 2024 and from conditions observed between 1 April and 10 May 2025, when 1.95m people (93% of the population) were already classified in IPC Phase 3 or above, including 244,000 (12%) in Catastrophe and 925,000 (44%) in Emergency. According to Gaza's health authorities, at least 147 Palestinians, 88 of them children, have died from starvation and malnutrition as of 26 July.<sup>10</sup>

This crisis is compounded by the near-total collapse of Gaza's agricultural capacity.

1 [https://www.pcbs.gov.ps/site/lang\\_ar/1405/Default.aspx](https://www.pcbs.gov.ps/site/lang_ar/1405/Default.aspx)

2 [https://www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press](https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press)

3 <https://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=5998>

4 <https://unosat.org/products/4130>

5 <https://news.un.org/en/story/2025/04/1162491>

6 <https://www.ochaopt.org/content/reported-impact-snapshot>

7 UNRWA Situation Report 179

8 <https://www.ochaopt.org/content/humanitarian-situation>

9 <https://www.ipcinfo.org/ipc-country-analysis/details-map>

10 <https://time.com/7305783/trump-gaza-famine-food-centers/>

As of April 2025, 83% of cropland and agricultural water wells have been damaged, leaving only 4.6% of cropland available for cultivation (see Table 1).<sup>11</sup> The agricultural sector has suffered an estimated \$835m in direct damage and \$1.3bn in cumulative losses since the start of the aggression.<sup>12</sup>

**Table 1: Cropland Damage in the Gaza Strip**

Governorate	Dec-24		Mar-25	
	Area (Km2)	Percentage	Area (Km2)	Percentage
North Gaza	26.4	84%	27.5	88%
Gaza	25.2	80%	26.6	84%
Deir Al-Balah	19.4	75%	21.1	82%
Khan Younes	29.1	68%	32.3	76%
Rafah	12.7	67%	14	74%

Source: UNOSAT – Gaza Strip Comprehensive Damage Assessment.

## 1.2 Weaponizing Aid

On 27 May, Israel launched its new aid delivery system in Gaza under the Gaza Humanitarian Foundation (GHF), tied to a \$2bn plan supporting U.S. President Trump's "Humanitarian Transit Areas" with a vision to displace the Palestinian population.<sup>13</sup> In six weeks since its launch, nearly 800 Palestinians have been killed by Israeli forces and over 4,500 injured while trying to access aid, largely at these sites.<sup>14</sup> Humanitarian agencies warn that the model undermines international organisations and enables displacement under the guise of relief.<sup>15</sup> Since March 2025, no UNRWA aid trucks have been allowed entry, and only a small number of non-UN trucks have received Israeli clearance.<sup>16</sup>

The GHF system operates through four Secure Distribution Sites (SDS), intended to serve 1.2m people, yet leaving 800,000 without access.<sup>17</sup> It brings in just 18–50 trucks per day, far below the 500–600 trucks needed to sustain the population.<sup>18</sup> GHF claims to have distributed over 72m meals since its launch, averaging one meal per day for approximately 1.5m people.<sup>19</sup> Yet, this figure is dwarfed by what was ready but denied. According to the World Food Programme, over 140,000 metric tons of food, enough to feed Gaza's entire population two to three meals per day for two months, had been pre-positioned at aid corridors just before the SDS system began, but was blocked from entry.<sup>20</sup> As of 5 July, only 1,200 trucks carrying 18.2 metric tons of aid had been allowed into the Strip.<sup>21</sup> Although the US government has declared funding of \$60m to GHF, its other funding sources remain unclear, while President Trump has criticised the lack of gratitude for this US gesture.<sup>22</sup>

On 7 July, the Israeli Defence Minister announced a plan for a "humanitarian city" to be built over the ruins of Rafah for 600,000 displaced Palestinians.<sup>23</sup> This move falls squarely within the framework of the "Humanitarian Transit Area" strategy, which evokes darker historical comparisons.<sup>24</sup> UNRWA and others condemned the move as part of a broader displacement plan, weaponizing hunger to push Palestinians into designated zones under Israeli control.<sup>25</sup> Between 4 April and 4 July, building demolitions in Rafah nearly doubled, from 15,800 to 28,600, to make

17 <https://static-cdn.toi-media.com/www/uploads/2025/05/Gaza>

18 <https://www.facebook.com/profile.php>

19 <https://www.facebook.com/share/p/1FYtq1qi9T/>

20 [Fresh bread returns for the first time in over two months - WFP](#); assuming a meal is 0.4-0.6 kg

21 <https://www.wfp.org/news/wfp-delivers-food-inside-gaza>

22 <https://time.com/7305783/trump-gaza-famine-food-centers/>

23 [Katz calls for confining all Gazans in 'humanitarian city' built](#)

24 [Israel increased Rafah demolition to prepare for Gaza forced](#)

25 [Leading Aid and Human Rights Organisations Condemn UNRWA Situation Report 179](#)

11 [Land availability for cultivation in the Gaza Strip as of April](#)

12 [Gaza's agricultural infrastructure continues to deteriorate](#)

13 [Proposal outlines large-scale 'Humanitarian Transit Areas'](#)

14 <https://news.un.org/en/story/2025/07/1165368>

15 [Leading Aid and Human Rights Organisations Condemn](#)

16 [UNRWA Situation Report 179](#)

space for this project.<sup>26</sup> However, by the end of July, Israel announced it had abandoned this clearly illegal plan.

Access restrictions have also persisted inside Gaza. According to OCHA and other humanitarian groups, only one-third of intra-Gaza aid movements were approved by Israeli authorities in June; the rest were either denied or obstructed.<sup>27</sup> In stark contrast, all four SDS sites are adjacent to Israeli military installations and are located within areas under evacuation orders, reinforcing concerns that aid is being weaponised to manage and confine Gaza's population rather than relieve suffering.<sup>28</sup>

### 1.3 Compounding Health Crises

As of 4 July, OCHA reported that 80% of WASH (Water, Sanitation, and Hygiene) assets and facilities are located within Israeli-militarised zones under evacuation orders, rendering them inaccessible to Palestinians.<sup>29</sup> Thirty-five percent of the population now has access to less than 15 litres of water per person per day.<sup>30</sup> As WASH services continue to deteriorate, the risk of infectious and waterborne diseases is rapidly increasing, with reported outbreaks already underway.<sup>31</sup> Further exacerbating the public health crisis is the accumulation of 2.3m tons of hazardous waste, including asbestos, and thousands of tons of untreated medical waste.<sup>32</sup> As a result, over 42% of the population is now exposed to serious environmental and health risks.

The health system has to all intents and purposes, collapsed. The remaining 18 partially functional hospitals are nearing

shutdown due to fuel shortages following a 130-day Israeli ban on fuel entry.<sup>33</sup> At least 100 newborns and 350 dialysis patients are facing life-threatening conditions.<sup>34</sup>

While medical evacuations increased during the ceasefire, reaching 1,792 cases in February and March, they plummeted in the following months amid renewed Israeli siege tactics, with only 262 total evacuations recorded between April and July.<sup>35</sup> Excluding the ceasefire period, the average number of evacuations since July 2024 is just 72.6 cases per month, primarily for trauma and cancer patients.

## 2. Efforts to Address the Burgeoning PA Fiscal Crisis

At the 24 June Cabinet meeting, Prime Minister Dr. Mohammad Mustafa outlined his government's stepped-up efforts to secure funding and mobilise financial resources through four primary channels: European assistance, Arab support programs, the release of Israeli withheld clearance revenues, and continued domestic fiscal reforms and spending rationalisation.<sup>36</sup> He also noted progress under the National Development and Reform Program<sup>37</sup>, which aims to strengthen public institutions, uphold the rule of law and good governance, and advance inclusive development as part of broader efforts to recover from the severe economic shocks caused by the ongoing war on Gaza. The government has presented related project proposals to several donors, most notably Saudi Arabia, seeking financing for initiatives in the digital economy, renewable energy, and social protection for low-income households.

<sup>26</sup> [Israel increased Rafah demolition to prepare for Gaza forced](#)

<sup>27</sup> [UNRWA Situation Report 178](#)

<sup>28</sup> [Visual guide to how the Gaza aid distribution turmoil unfolded](#)

<sup>29</sup> <https://www.ochaopt.org/content/humanitarian-situation->

<sup>30</sup> <https://www.aliqtisadi.ps/ar/Article/104447/>

<sup>31</sup> [UNRWA Situation Report 179](#)

<sup>32</sup> <https://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=5998>

<sup>33</sup> [Joint statement on fuel shortage in Gaza - reliefweb](#)

<sup>34</sup> <https://www.ochaopt.org/content/humanitarian-situation->

<sup>35</sup> [Health Cluster and WHO Unified Health Dashboard Version](#)

<sup>36</sup> <https://www.wafa.ps/Pages/Details/124187>

<sup>37</sup> Program details: <https://www.palestinecabinet.gov.ps/portal/>



## 2.1 Withheld Clearance Revenues

On 9 July 2025, Prime Minister Mohammad Mustafa confirmed that the Palestinian Authority (PA) had not received any of its clearance revenues from Israel for May and June 2025, amounting to ILS 890m after Israeli deductions.<sup>38</sup> According to the Palestinian Cabinet, total withheld funds have now exceeded ILS 8.2bn.<sup>39</sup> Including the dues for the past two months, the cumulative amount reaches approximately 9.1 billion ILS.

The ongoing Israeli deductions and withheld amounts have significantly impaired the government's ability to meet its financial commitments across key sectors. Public sector employees received only 35% of their April salaries on June 4, and another 35% on July 1, despite the PA not having received the clearance revenues for April.<sup>40</sup> Since November 2021, the PA has not paid full salaries, with monthly disbursements ranging between 50% and 90%. The situation has deteriorated further amid intensifying Israeli fiscal pressures.

The healthcare sector is among the hardest hit, facing severe shortages of essential medicines and medical supplies, with the risk of near-paralysis in service delivery. Other public institutions are also under strain, while escalating poverty and unemployment levels threaten social cohesion and internal stability. The Cabinet has warned that if the current fiscal paralysis persists, it could lead to a sharp decline in service quality, disruption of government operations, and potentially force temporary closures of public offices and deep cuts to civil servant work hours.<sup>41</sup>

Since 2019, Israel has deducted approximately ILS 600m annually from Palestinian clearance revenues, citing payments to the families of martyrs, prisoners, and the wounded. These punitive deductions escalated after the war on Gaza, with an additional ILS 270m withheld each month.

## 2.2 Calls to Activate the Arab Financial Safety Net

On 18 June, Prime Minister Mohammad Mustafa renewed calls for urgent financial support in line with Arab League commitments, including the activation of the Arab Financial Safety Net that was reaffirmed during the Baghdad Summit in May.<sup>42</sup> The goal is to enable the PA to meet its obligations amid Israel's ongoing aggression and continued withholding of clearance revenues.

First endorsed in 2010, the Arab Financial Safety Net promised monthly contributions of \$100m to support the PA during financial crises. Although repeatedly reaffirmed at subsequent Arab League summits, the mechanism has remained largely dormant. Despite recurring Palestinian appeals, particularly amid repeated clearance revenue freezes pre-2019 and escalating Israeli deductions since 2019, only a handful of Arab states have extended sporadic and unilateral aid.

On 26 July, the Palestinian government received \$30m from Saudi Arabia as part of its 2025 financial assistance pledge.<sup>43</sup> This support appears to lie outside the Arab Financial Safety Net framework. Palestinian Finance Minister Omar Al-Bitar welcomed the grant, highlighting its role in alleviating fiscal pressures. In 2024, Saudi Arabia provided \$40m in targeted support to critical

38 <https://www.al-ayyam.ps/ar/Article/416147/>

39 <https://wafa.ps/Pages/Details/125908>

40 <https://www.wafa.ps/pages/details/122887>

<https://www.aliqtisadi.ps/ar/Article/104666/>

41 <https://www.aliqtisadi.ps/ar/Article/104557>

42 <https://www.wafa.ps/Pages/Details/123819>

43 <https://www.wafa.ps/Pages/Details/124373>

sectors, including healthcare and education, covering hospital costs, medical supplies, and the salaries of doctors and teachers.<sup>44</sup> These contributions marked a resumption of Saudi aid following the war on Gaza, which had been largely suspended since 2019. Since 1997, Saudi Arabia has provided an estimated \$5.4bn in humanitarian, development, and relief assistance to the Palestinian people.<sup>45</sup>

## 2.3 EU Assistance

On 23 June, the European Commission announced the disbursement of €202m to support both the PA and the United Nations Relief and Works Agency for Palestine Refugees (UNRWA).<sup>46</sup> Of this amount, €150m was allocated to the PA to help sustain the delivery of essential public services, including salary payments for teachers, civil servants, and healthcare workers. The release of these funds is contingent upon the PA's progress in implementing key pre-agreed reform measures.<sup>47</sup>

The remaining €52m was earmarked for UNRWA to support vital services, including education, primary healthcare, and emergency assistance for Palestinian refugees in Gaza, the West Bank, and host countries including Jordan, Lebanon, and Syria. This funding forms part of a broader EU aid package worth €1.6bn, scheduled for 2025–2027.<sup>48</sup>

## 4. Intersecting Visions for Reconstruction

On 2 July, the Palestine Economic Policy Research Institute (MAS) organised a study day titled “Post-War Reconstruction

Plans for Palestine,” aimed at critically evaluating existing local and international reconstruction proposals by unpacking their underlying logics and advancing alternative Palestinian visions grounded in local needs and centred on national sovereignty.<sup>49</sup> The event featured a discussion by 12 Palestinian and international experts focused on a MAS background paper, which provided a comparative analysis of various spatial planning visions, reconstruction plans and initiatives proposed by Palestinian, Arab, regional, and international actors.<sup>50</sup>

The plans reflected fundamentally divergent models, as some emphasised spatial and administrative frameworks, while others embedded reconstruction within security, market, or sovereignty-centred paradigms. These differences revealed deep structural contradictions around who gets to plan, for what purposes, and in whose interest. The discussion highlighted the growing disconnect between international/regional approaches, which often view reconstruction as a technocratic tool for “stabilisation,” and Palestinian local perspectives, which tend to prioritise community needs and national sovereignty.<sup>51</sup> Yet these local approaches are constrained not only by limited resources, but also by a lack of political traction and institutional pathways for implementation.

### 4.1 Discussion Sessions

#### 1. *Spatial Planning for Palestine and Damage Assessment*

The first session examined spatial planning and damage assessment, critiquing technocratic and architectural plans—mostly regional and international—that treat Gaza as a blank canvas, detached from its political and social realities. Such

<sup>44</sup> <https://wafa.ps/Pages/Details/109711>

<sup>45</sup> [data.ksrelief.org/Projects/BCCS/21](https://data.ksrelief.org/Projects/BCCS/21)

<https://www.mofa.gov.sa/ar/ministry/statements/Pages/al83>.

<sup>46</sup> [UNRWA and the PA receive €202m of support - European](#)

<sup>47</sup> See the [September 2024 Palestine Economic Update](#) for details on the agreed reform measures.

<sup>48</sup> [Multiannual programme for Palestinian recovery](#)

<sup>49</sup> <https://mas.ps/events/12629.html>

<sup>50</sup> [https://mas.ps/cached\\_uploads/download/2025/06/28/](https://mas.ps/cached_uploads/download/2025/06/28/)

<sup>51</sup> <https://mas.ps/news/12765.html>

approaches ignore the spatial legacy of colonisation and cast Palestinians as passive subjects rather than active partners in planning. In contrast, some local initiatives advocate for justice-based frameworks that address cumulative war damage and structural constraints on Gaza's growth, though these still lack the tools and political backing needed for implementation.

## 2. *Homegrown Recovery and Reconstruction Plans*

The second session explored local recovery and reconstruction efforts, highlighting a central paradox: while initiatives are multiplying at municipal and official levels, a coherent national vision remains elusive. This fragmentation, though indicative of local dynamism, risks incoherence and external co-optation unless grounded in a sovereign, institutional framework with clear leadership and coordination. Speakers highlighted the growing distrust between communities and authorities, stemming from past failures in transparency, accountability, and excessive reliance on conditional donor funding. As a corrective, they called for a unified "master plan" led by a representative public body committed to inclusivity and participatory governance.

## 3. *Global Planning for Palestine*

The final session focused on how many plans extend beyond Gaza, serving as instruments to reshape the political order in Palestine and the region. Israeli proposals, in particular, aim not only to manage security but to engineer Palestinian space by restricting movement and severing the link between territory and sovereignty. Internationally, Gaza's collapse is increasingly framed as

an investment opportunity. The "disaster capitalism" approach advances large-scale, donor-driven projects, often via public-private partnerships, that bypass justice and local accountability. Instead of empowering Palestinians, reconstruction risks becoming a mechanism for recycling elite privilege and testing market-based models on devastated communities, as seen in Lebanon, Iraq, and Afghanistan.

Many development initiatives further depoliticise reconstruction, presenting it as a technical fix while normalising the blockade, entrenching security controls, and placing oversight and monitoring in the hands of foreign actors. This frames reconstruction as a regime of long-term containment. The core problem lies not just in the plans themselves, but in the structures behind them: who plans, who pays and who governs.

While often disguised as technical solutions, the dynamics of reconstruction planning are profoundly political. Participants agreed that countering them requires more than rejecting imposed frameworks; it demands a coherent Palestinian alternative capable of articulating rights and interests without surrendering the national project or acting as a mere channel for donor agendas.

## 4.2 Key Messages and Recommendations

- Reconstruction is not a substitute for liberation: Genuine reconstruction requires full recognition of Palestinian sovereignty and a clear rejection of approaches that decouple development from political rights.
- Local ownership is essential: Reconstruction plans must be rooted in the Palestinian context and shaped through meaningful community participation, rather than being imposed

as pre-packaged solutions or political bargains.

- Protect reconstruction from dependency: Beyond funding, what's needed is an independent national framework that ensures transparency, accountability, and just distribution, and is free from security control or long-term investor entrenchment.
- Build a unified national platform: Fragmented initiatives fuel division and weaken impact. A coordinated national framework is urgently needed to consolidate efforts, articulate a shared vision, and enable effective implementation.

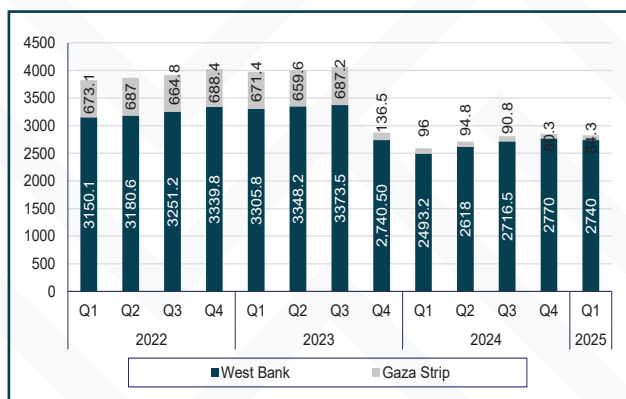
## 5. June Trading Activity

The AI-Quds Index rose by 8.8% in June 2025 compared to May, closing at 586.7 points on the final trading day.<sup>52</sup> Around 7.9m shares were traded during the month, worth \$13.6m, marking a 39.8% decrease in volume and a 37.3% decline in value compared to May 2025.



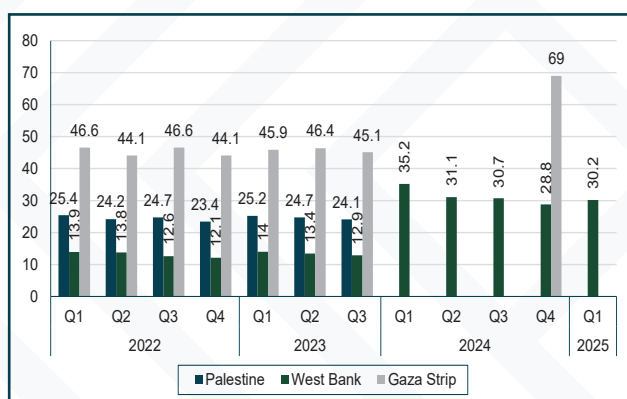
## Gross Domestic Product

**Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region**  
Q1 2022 - Q1 2025



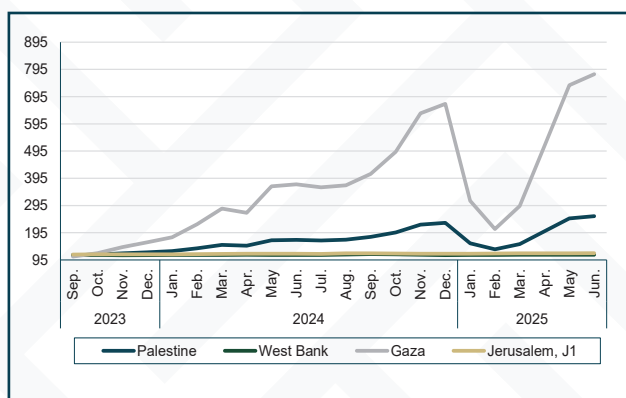
## Unemployment

**Quarterly Unemployment (%) in Palestine by Region**  
Q1 2022 - Q1 2025



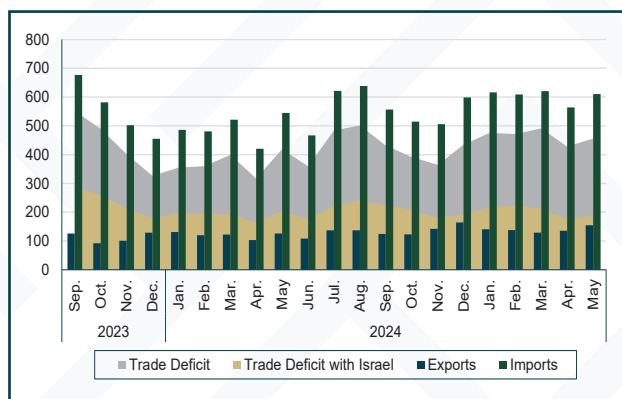
## Inflation

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



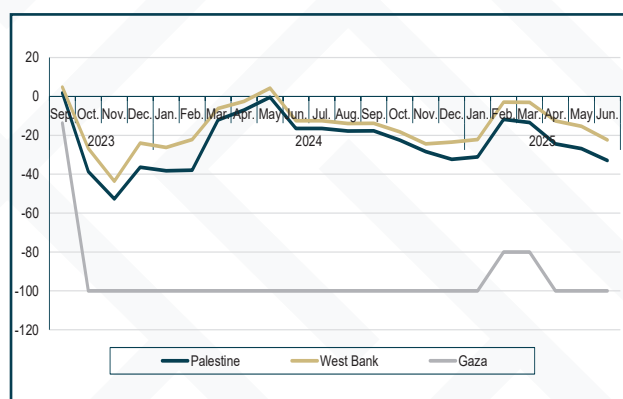
## Trade

**Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel (million USD) in Palestine, September 2023 - May 2025**



## PMA Business Cycle Index

**Monthly Palestine Monetary Authority Business Cycle Index**  
September 2023 - June 2025



## Banking

**Monthly Customer Deposits and Credit Facilities (million USD) in Palestine**  
September 2023 - May 2025

