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PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)

# Palestine Economic Update

## September 2025

### **Key Messages :**

- As the Gaza war enters its third year, the PA's fiscal position has sharply deteriorated, with revenues collapsing under Israeli deductions and withholdings, rising arrears and debt, and growing systemic risk as banks deepen their exposure to government solvency.
- The Ministry of Labour has introduced a broad set of relief, training, employment, and digital initiatives over the past year to ease the crisis in the Palestinian labour market, yet unemployment remains critically high at over 50%.
- Digital payments are expanding rapidly, offering a vital though limited alternative to cash amid severe economic hardship, infrastructure destruction, and Israeli restrictions.

## 1. PA Deteriorating Balances

As the war on Gaza enters its third year, the performance of the Palestinian National Authority's (PA) public finance indicators has deteriorated dramatically. This decline stems primarily from the intensifying pace of Israeli financial sanctions and practices, especially the arbitrary and illegal deductions from and withholding of clearance revenues,

which have further tightened the fiscal stranglehold on the Palestinian government. Data published by the Palestinian Ministry of Finance for July 2025 illustrates the severity of the current fiscal crisis and the profound threat it poses to the government's stability and sustainability (see Table 1).<sup>1</sup>

**Table 1: Revenues and Expenditures, January–July 2025 vs. January–July 2023 (million ILS)**

Item	Jan–Jul 2023		Jan–Jul 2025	
	Cash	Accrual	Cash	Accrual
<b>Basis of Accounting</b>				
<b>Total Revenues</b>	<b>9,999.1</b>	<b>10,568.4</b>	<b>7,553.6</b>	<b>8,855.3</b>
Clearance Revenues	6,145.0	6,811.5	4,653.5	6,006.5
Tax Revenues	2,613.0	2,613.0	1,683.8	2,926.3
Non-Tax Revenues	970.7	970.7	1,047.6	1,683.8
Earmarked Receipts	297.7	297.7	195.0	195.0
Tax Refunds (-)	27.3	124.6	26.2	77.5
<b>Total Expenditures</b>	<b>8,353.4</b>	<b>10,202.4</b>	<b>7,800.0</b>	<b>9,857.8</b>
Wages & Salaries	4,059.3	4,869.3	4,058.5	4,894.8
Social Contributions	600.5	476.1	573.2	490.5
Other Expenditures	2,627.3	3,811.2	2,527.5	3,747.8
Net Lending	748.1	748.1	529.7	529.7
Earmarked Payments	318.2	297.7	111.1	195.0
<b>Development Expenditure</b>	<b>310.8</b>	<b>541.2</b>	<b>248.0</b>	<b>393.2</b>
<b>Balance before grants &amp; financing</b>	<b>1,334.9</b>	<b>-175.2</b>	<b>-494.4</b>	<b>-1,395.7</b>

Source: Palestinian Ministry of Finance

### 1.1 Revenues and Expenditures

Cumulative public revenues from January to July 2025 totalled ILS 7.5bn (cash basis), representing a 24.5% decline compared to the same period in 2023 (pre-war). This drop is primarily driven by a 24.3% decline in clearance revenues, which reached approximately ILS 4.6bn. Clearance receipts still represented 61.5% of total revenues, identical to their share in 2023, but the headline figure masks distortions. In Q1 2025, Israel transferred

previously withheld funds to cover Palestinian payments due to Israeli utility providers, amounting to approximately ILS 1,057m to the Israel Electric Corporation and ILS 761.8m to Dor Group and PazOil Company Ltd (fuel distribution companies). After these offsets, actual cash transfers from clearance revenues have been only ILS 2.8bn.

By September 2025, the Prime Minister's Office confirmed that Israel had withheld the entirety of

<sup>1</sup> <https://pmof.ps/internal.php?var=11&tab=01>

clearance revenues collected for June through September, after making deductions from them. The PA estimates the total withheld clearance revenues since the beginning of the war at ILS 10bn.<sup>2</sup> The suspension of these transfers undermines the government's ability to meet core obligations, most critically payments to public sector employees and private suppliers, and constrains its capacity to provide essential services in health and education.

Local tax revenues also declined by 24.6% over the same period, reaching ILS 2.9bn. Tax receipts themselves declined by 36% to ILS 1.7bn, reflecting deepening economic contraction.

On the expenditure side, actual cash spending declined by 7.1% compared to 2023, reaching roughly ILS 8bn. The wage bill remained nominally stable at approximately ILS 4bn; however, this apparent stability is misleading. The PA has been paying partial salaries since 2021, as Israeli deductions from clearance revenues have further intensified after the war. Currently, salary disbursements are not only partial, rarely exceeding 70% of monthly entitlements, but are also irregular. The first partial salary of the year was paid only in March, and May's salary (60%) was disbursed at the end of July after a three-month interruption. June's salary was paid in early September, at 50% with a minimum of ILS 2,000.<sup>3</sup>

Non-wage expenditures fell by 3.9%, to ILS 3.1bn. Net lending decreased from ILS 748.1m in 2023 to ILS 529.7m in 2025, while development spending contracted from ILS 310.8m to ILS 248m.

The cumulative fiscal deficit before grants and financing reached ILS 494.4m on a cash basis. On a commitment basis, which more

accurately reflects outstanding obligations, the deficit was much larger, at ILS 1.4bn. These are unprecedented and alarming indicators of the brink at which Palestinian public finances stand.

## 1.2 Grants and Aid

External aid reached ILS 1.4bn in January–July 2025, almost double the ILS 706.5m in the corresponding period in 2023. Additional aid is expected in the coming months if French, Norwegian, Spanish, and Saudi diplomatic efforts succeed in mobilising US\$200m per month for six months to support the PA.<sup>4</sup> By the end of the month, these efforts had yet to reveal a sustained and adequate commitment to the crippled PA budget. These countries also pressed, during the last plenary meeting of the “Two-State Solution” conference, as part of the 80th Session of the UN General Assembly in New York, for the release of withheld clearance funds, though expectations of Israeli compliance are currently virtually nil.<sup>5</sup> Consequently, donors are instead focusing on providing direct budget support to sustain PA operations. By 25 September, donor countries, including Saudi Arabia, Germany, and Spain, had pledged only \$175m in budget support for the PA, well below the average monthly expenditure.<sup>6</sup>

## 1.3 Arrears and Public Debt

Under current fiscal stress, the PA is resorting to arrears accumulation and borrowing, thereby expanding its public debt burden. By July 2025, arrears had reached ILS 17.7bn, of which ILS 15.4bn were incurred in previous years. Government debt increased by ILS 3.2bn relative to 2023, reaching ILS 15.9bn (about US\$4.7bn). This equals 34.3% of GDP, but when arrears are included, the effective debt burden rises to 72.5% of GDP, which is a critical level.

2 <https://www.aljazeera.net/ebusiness/2025/9/1/>

3 <https://www.aliqtisadi.ps/ar/Article/105754/>

4 [https://www.timesofisrael.com/liveblog\\_entry/](https://www.timesofisrael.com/liveblog_entry/)

5 <https://english.wafa.ps/Pages/Details/161622>

6 <https://pmo.pna.ps/en/Article/5887/Palestinian-Government>

The debt structure is heavily skewed toward domestic borrowing (71.4% of the total). Of this, 85.6% consists of commercial bank loans (ILS 7.2bn) and overdraft facilities (ILS 2.5bn), increases of 61.4% and 37.7% compared to 2023.

In addition to direct government borrowing, local banks have extended significant credit to public employees, secured against future salary payments. Combined, government and public employee debt now amounts to roughly US\$5.1bn, about 40% of total banking sector lending.<sup>7</sup> This highlights the public sector's role as the primary client of Palestinian banks, thus amplifying systemic risk. With banking exposure increasingly tied to government solvency, fiscal distress translates directly into wider financial instability.

## 2. Ministry of Labour Programs and Initiatives

Against the backdrop of the severe challenges facing the Palestinian labour market, exacerbated by Israel's war on Gaza and its deep economic repercussions, the Ministry of Labour (MoL) has launched a range of programs to provide relief and generate jobs. Initiatives include a Work-for-Wage scheme, as well as interventions through the Palestinian Employment Fund and the National Employment Strategy for 2025–2027. The strategy is built on four main pillars: vocational training, employment, entrepreneurship, and cooperatives.<sup>8</sup>

Taken together, these efforts aim to combine emergency relief with skills development and support for entrepreneurial projects, with interventions organised around four broad axes.<sup>9</sup>

<sup>7</sup> [Palestinian Economic Update September 2025](#)

<sup>8</sup> <https://www.wafa.ps/Pages/Details/132076>

<sup>9</sup> This information was obtained from the Ministry of Labour in late August.

1. Relief and Direct Worker Support. MoL has extended free health insurance to 15,000 workers and provided temporary employment to 6,450 workers through emergency work schemes and recovery programs. Gaza workers stranded in the West Bank received 17 cash payments totalling ILS 36.7m, with each worker receiving ILS 700 per payment.
2. Employment and Labour Market Regulation. Through financing programs like “Bader”,<sup>10</sup> which provided interest-free loans of up to ILS 60,000 with a repayment period of 48 months to 355 beneficiaries who had been dismissed from the Israeli labour market. The Ministry has also supported vocational graduates through entrepreneurship grants, awarding €5,500 each to 67 graduates, two-thirds of whom were women.
3. Vocational Training and Skills Development. In 2024, 1,582 trainees graduated from MoL managed training centres, with employment rates ranging between 70 and 80%, and particular attention given to integrating people with disabilities.<sup>11</sup> Curricula have been modernised to reflect demand in new areas such as technology, green skills, digital marketing, hybrid vehicles, solar energy, and horticulture. In the first half of 2025, MoL launched 167 courses with 2,269 participants. These include new courses in digitisation and renewable energy, as well as new programs supported by the FAO in food preparation and garden management. The Ministry currently operates 13 vocational centres offering 34 core programs and over 40 short courses. In July 2025, MoL inaugurated the first vocational training centre in Dura, Hebron, which was furnished and equipped through a partnership with the private sector and serves as a model

<sup>10</sup> [The Green Line Workers Financing Program \(Bader\) - PMA](#)

<sup>11</sup> <https://www.sadanews.ps/business/195141.html>

for public–private cooperation.<sup>12</sup> Looking ahead, with donor and private-sector support, MoL is preparing programs in modern agriculture, cybersecurity, artificial intelligence and data analytics. MoL notes that these efforts are part of its commitment to building human capital and fulfilling labour market demand, while diversifying skills and strengthening resilience in a stressed labour market.

4. Economic Recovery and Enterprise Support. Women and people with disabilities have been key beneficiaries: 107 women-led projects have received support, while 115 individuals with disabilities obtained loans to start or expand businesses. Several donor-funded initiatives have provided trainees with stipends, such as FAO's program, which offered \$250 per month over four months to 109 participants, the Tamayoz Project<sup>13</sup>, which paid \$255 per month over two months to 33 trainees, and the Ayadi Project<sup>14</sup>, which supported 360 trainees at \$250 per month for three months.

## 2.1 Labour Market Outlook

The Palestinian labour market struggles with entrenched unemployment. In the West Bank, the unemployment rate fell modestly to 28.6% in the second quarter of 2025, down from 30.2% in the first quarter, as the total number of employed workers increased by 23,000 to reach 714,000.<sup>15</sup> Yet youth unemployment remains alarming, with 43.5% of graduates aged 19–29 out of work, and rates even higher among women. Currently, the vast majority of Gazans lack decent sources of income, with unemployment already at around 45% before the war. While donor-funded projects and MoL programs can provide temporary

relief and targeted skills development, the structural unemployment crisis cannot be resolved without fundamental changes to the Palestinian economy and the removal of the restrictions imposed by the occupation.

## 2.2 Employment Initiatives

On 13 July, the Ministry of Labour announced the National Employment and Economic Empowerment Initiative, aiming to create 30,000 jobs through three core programs: cash-for-work, wage support, and entrepreneurship system development.<sup>16</sup> Its goals include creating 9,000 practical vocational training placements, training approximately 800 instructors, and integrating 3,500 workers into digital and remote work. The initiative also aims to support 100 start-ups and establish three modern vocational training centres. Ensuring inclusivity, at least half of the opportunities are reserved for women and people with disabilities.

On 15 June 2025, Minister Inas Al-Attari signed an agreement with Enable Belgium to support short-term jobs for Gaza youth in sectors such as education, healthcare, waste management, and infrastructure rehabilitation.<sup>17</sup> The program will employ 442 young people, with at least 40% of positions allocated to women, and will prioritise displaced people and those with disabilities. It also includes psychosocial support throughout the employment period. Earlier on 27 May 2025, she signed a memorandum of understanding with Qatar to regulate the recruitment of Palestinian workers, establishing transparent mechanisms to protect their rights while channelling Palestinian expertise into key economic sectors in Qatar.<sup>18</sup>

<sup>12</sup> <https://www.bnews.ps/index.php/ar/node/25614>

<sup>13</sup> <https://www.mol.pna.ps/news/1273>

<sup>14</sup> <https://www.mol.pna.ps/news/1226>

<sup>15</sup> <https://www.pcbs.gov.ps/postar.aspx?lang=ar&itemID=6041>

<sup>16</sup> <https://www.palestinecabinet.gov.ps/portal/News/>

<sup>17</sup> <https://www.mol.pna.ps/index.php/news/1208>

<sup>18</sup> <https://www.bnews.ps/ar/node/25221>

The Ministry has also pursued technological modernisation to address labour market mismatches. These include four digital platforms: a Labour Market Information System<sup>19</sup>, a Smart Job-Matching Platform, a Labour Market Compass<sup>20</sup> to guide policies towards areas most affected by unemployment, and an Entrepreneurship Platform.<sup>21</sup> A digital training management system has also been developed with Belgian cooperation, and preparations are underway for an AI-driven Skills Matching Platform. These tools are intended to connect job seekers with employers locally and internationally, reduce unemployment, and better align training with market demand.

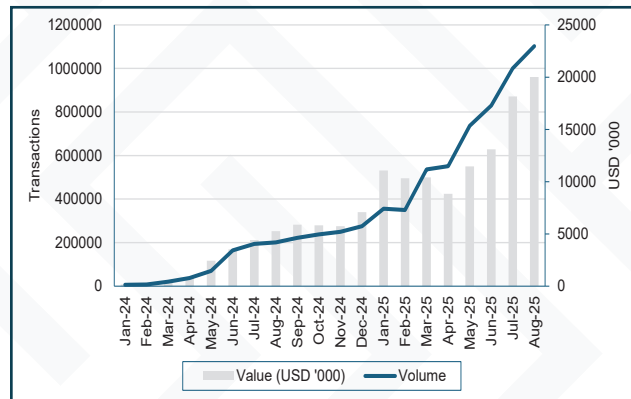
### 3. Digital Payments

On 3 September, the Palestine Monetary Authority (PMA) announced that E-SADAD, the national platform for presenting and paying bills electronically, recorded over 1.1m transactions in August.<sup>22</sup> Accessible through online and mobile banking, the platform now integrates more than 150 billers across various sectors, including water, electricity, telecommunications, higher education, insurance, and government services. It enables citizens to settle bills and fees electronically, without incurring commissions or additional charges.

Launched in December 2023, E-SADAD has seen rapid adoption, particularly in 2025 (see Figure 1).<sup>23</sup> This acceleration reflects the PMA's efforts to expand the number of billers on the platform and promote digital transactions as a practical alternative to mitigate the 'excess shekel' dilemma.<sup>24</sup> The

platform provides users with an efficient, fast, and secure transaction environment that saves time, money, and effort.

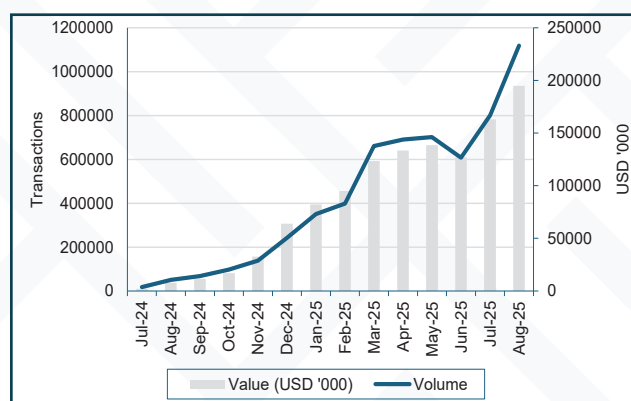
**Figure 1: Value (in thousands of USD) and Volume of Transactions on E-SADAD, January 2024 – August 2025**



Source: PMA

Growth in digital services is also evident in the exponential rise of iBURAQ, the PMA's instant payments system launched in May 2024.<sup>25</sup> By August 2025, iBURAQ had processed 1.1m transactions worth \$195m, over twenty times the volume recorded in the corresponding month in 2024.

**Figure 2: Value (in thousands of USD) and Volume of Transactions on iBURAQ, July 2024 – August 2025**



Source: PMA

19 <https://www.mol.pna.ps/page/14>

20 <https://www.sadanews.ps/business/195141.html>

21 <https://www.wafa.ps/Pages/Details/132076>

<https://www.mol.pna.ps/news/1304>

22 [E-SADAD Platform Records 1.1m Electronic Bill Payment Transactions - PMA](#)

23 [PMA Launches E-SADAD - PMA](#)

24 [PMA Engages in a Series of Meetings with Government and Private Sector Stakeholders - PMA](#)

25 [PMA Announces Alternatives for Dealing with Cash - PMA](#)

### 3.1 Expanding Digital Payments Adoption

On 26 August, the Ministry of Communications and Digital Economy (MCIT) issued a ministerial decision requiring all international and local express courier companies to provide modern electronic payment methods, such as Point-of-Sale (POS) devices, as the primary option for payment collection.<sup>26</sup> Under the decision, companies must comply within 30 days and run a three-month awareness campaign to highlight the benefits of e-payments, using both traditional and social media. Following the campaign, postal and courier companies will be prohibited from accepting cash payments exceeding ILS 500.

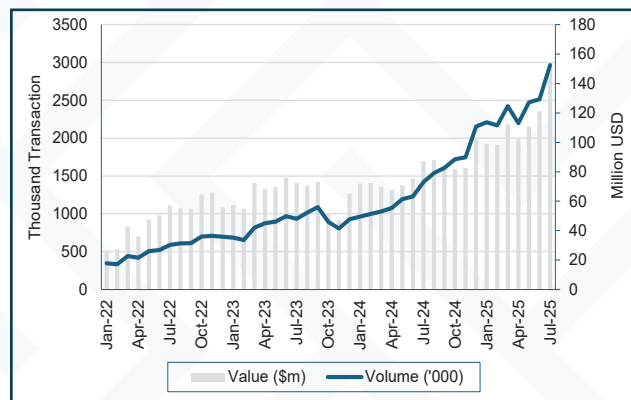
On 25 September, the PMA launched iDplus, a financial digital identity application that enables citizens to create and link their digital identity to banking platforms.<sup>27</sup> The service is said to enhance protection against electronic financial fraud and ensure full control over transactions through advanced authentication tools, including biometric facial recognition.

On 2 November, the Council of Ministers approved a recommendation from the Palestinian Capital Market Authority allowing insurance companies to offer promotional discounts of up to 10% on mandatory vehicle and third-party insurance policies purchased via electronic payment.<sup>28</sup> The measure aims to accelerate the sector's adoption of digital payments.

These policies and initiatives align with the government's broader digital transformation agenda and complement existing efforts to expand merchant adoption of digital payments.<sup>29</sup> By July 2025, the number of

POS devices across Palestine had reached 39,307, double the figure of July 2023 and triple that of July 2022. Transactions reached 3m in July 2025, worth \$154.3m, representing a threefold increase in volume and a doubling in value compared to the previous year (see Figure 3).

**Figure 3: Value (\$m) and Volume ('000) of Transactions Using POS, July 2024 – August 2025**



Source: PMA

### 3.2 Digital Finance: A Necessary Alternative

Israeli actions and policies have produced a paradoxical situation in which Gaza faces extreme cash shortages while banks in the West Bank accumulate vast stocks of Israeli shekels they cannot transfer to Israel. In Gaza, with banking infrastructure destroyed and cash inflows restricted, citizens are forced to rely on “cash brokers” who charge exorbitant fees for withdrawals, further inflating the already catastrophic prices of scarce commodities.<sup>30</sup> In this environment, digital financial transactions have become a vital alternative.

The PMA's systems, such as iBURAQ, enable citizens to conduct electronic transactions, bypassing the need for physical cash and damaged banking infrastructure, while

<sup>26</sup> <https://www.mtde.gov.ps/home/news/23075?culture=ar-SA>

<sup>27</sup> <https://www.bnews.ps/index.php/ar/node/26065>

<sup>28</sup> <https://www.aliqtisadi.ps/ar/Article/106260/>

<sup>29</sup> [PMA Engages in a Series of Meetings with Government and Private Sector Stakeholders - PMA](#)

<sup>30</sup> [PMA announces alternatives for dealing with cash after the destruction of bank branches - PMA](#)

also facilitating humanitarian assistance and salary disbursements.<sup>31</sup> Importantly, PMA platforms can operate without internet access via cellular networks, partly offsetting connectivity problems.<sup>32</sup> Between January and June 2025, e-wallet usage in Gaza nearly tripled in value, from \$40m to \$115m, while the number of active e-wallets surpassed 790,000.<sup>33</sup> In the same period, Gaza recorded 2.8m iBURAQ transactions, with a total value exceeding \$550m.

In contrast, banks in the West Bank are struggling with a liquidity trap; they hold growing piles of physical shekels in their vaults while their digital ILS balances in correspondent Israeli accounts are depleted.<sup>34</sup> This imbalance complicates daily operations, distorts bank balance sheets, and undermines settlement and payment systems.<sup>35</sup>

Against this backdrop of severe constraints and limited policy space, digital finance has emerged as a crucial tool to reduce cash accumulation in the West Bank and enable access to essential services and humanitarian aid in Gaza. Yet its effectiveness remains limited and insufficient to address the challenges facing the Palestinian financial sector, particularly amid recurrent threats to terminate correspondent banking relations with Israeli banks.

### 3.3 Persistent Challenges

The expansion of E-SADAD, iBURAQ, and POS networks reflects the PMA's success in advancing digital transformation, reducing reliance on cash, and supporting e-commerce.<sup>36</sup> Yet major obstacles remain. Israeli restrictions

on telecommunications infrastructure have left the West Bank limited to 3G and Gaza to 2G, with Gaza's telecommunication infrastructure devastated by the war, with continuous outages.<sup>37</sup> Restrictions on importing telecom equipment and deploying infrastructure, particularly in Area C, create coverage gaps and prevent the development of modern networks.<sup>38</sup> This deepens the digital divide between the West Bank and Gaza, as well as between urban and rural areas.

Economic hardship compounds these barriers. Soaring prices and severe shortages in Gaza mean many households cannot afford basic goods, let alone purchase them digitally. Merchant adoption is growing, but remains limited. Some merchants resist POS usage due to fees on transactions above ILS 100, which erode slim profit margins, and due to fears of greater tax scrutiny.<sup>39</sup> On the consumer side, cultural resistance persists, particularly among older people and financially excluded groups, who remain wary of digital payments.

In this environment, digital finance represents both a lifeline and a limited substitute. It offers an important mechanism to navigate the challenges of the Palestinian financial system, but its transformative potential remains constrained by the policies of the Israeli occupation and economic fragility.

## 4. August Trading Activity

Al-Quds Index decreased by 5.2% in August compared to July, reaching 580.1 points on the last trading day.<sup>40</sup> About 7.5m shares worth \$12m were traded during the month, representing an 11.1% decrease in the number and a 21.5% decrease in the value of traded shares compared to July.

31 [Palestinian Economic Update September 2025 - The World Bank](#)

32 [https://mas.ps/cached\\_uploads/download/2025/03/26/](https://mas.ps/cached_uploads/download/2025/03/26/)

33 [Palestinian Economic Update September 2025 - The World Bank](#)

34 See June 2025 Issue for further information:

<https://mas.ps/en/publications/12800.html>

35 [Palestinian Economic Update September 2025 - The World Bank](#)

36 [PMA Completes Linking Government Institutions on the E-SADAD Platform - PMA](#)

37 <https://www.bnews.ps/index.php/ar/node/26019>

38 <https://ts2.tech/en/internet-access-in-palestine-west-bank>

39 <https://www.aliqtisadi.ps/ar/Article/106151/>

40 [Tadawul-Monthly Statistical Newsletter - PEX](#)

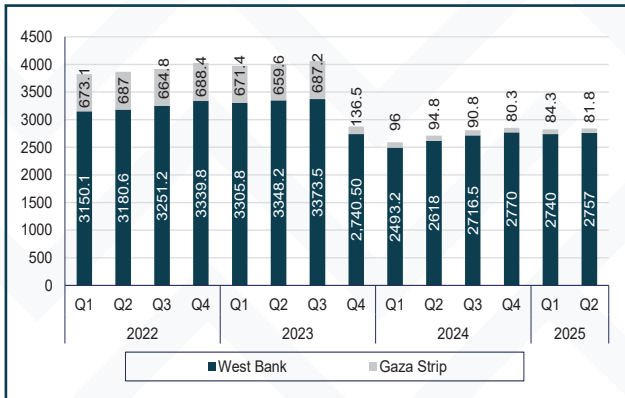
On 19 August, the Palestine Exchange (PEX) reported that listed companies achieved net profits of \$145m in the first half of 2025, a sharp 93% increase from the low base recorded in the same period of 2024.<sup>41</sup> Preliminary results indicate that 36 of the 48 listed companies reported profits, nine reported losses, and three failed to disclose their results within the legal timeframe.

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41 [Listed Companies Disclose Financial Statements for H1 2025 - PEX](#)

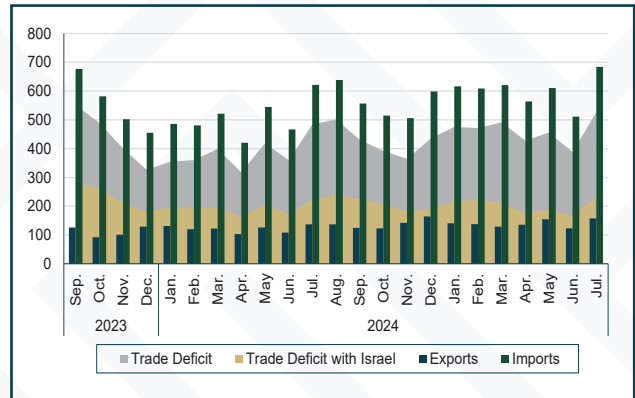
### Gross Domestic Product

**Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region Q1 2022 - Q2 2025**



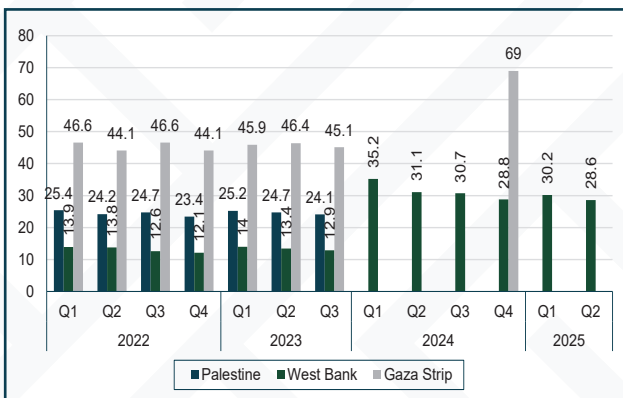
### Trade

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



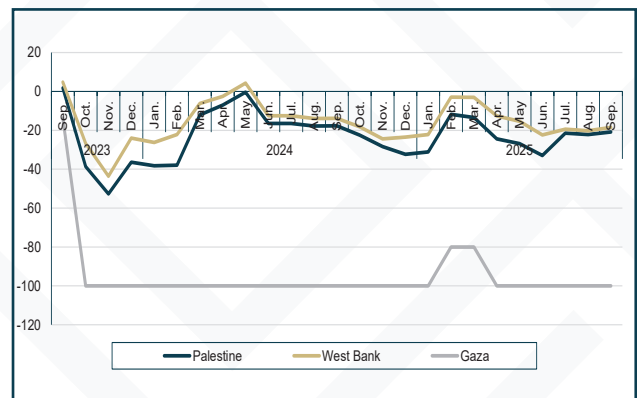
### Unemployment

**Quarterly Unemployment (%) in Palestine by Region Q1 2022 - Q2 2025**



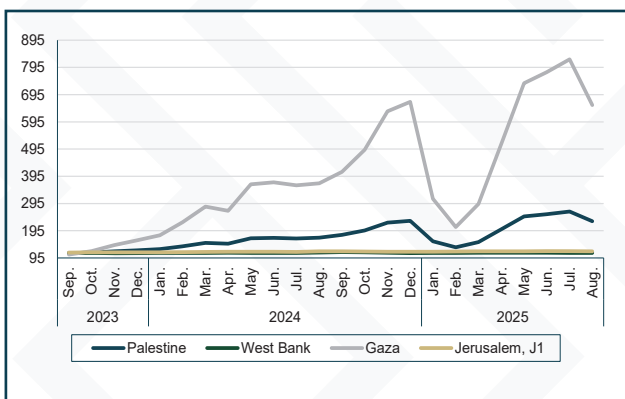
### PMA Business Cycle Index

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



### Inflation

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



### Banking

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

