



MAS

PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE (MAS)

Palestine Economic Update

May 2026

Key Messages :

- The AHLC donors meeting in April highlighted the stalled implementation of the Gaza ceasefire framework, weak progress on recovery and reconstruction, and a worsening humanitarian situation, with recent assessments finding that the US-led Gaza peace plan risks failure.
- The Palestinian economy throughout the occupied territory continues to struggle under a severe fiscal and economic crisis, driven by withheld clearance revenues, banking constraints, high unemployment, and collapsing economic activity, leaving the PA with limited capacity to sustain basic services, let alone support Gaza recovery or address intensifying vulnerabilities.
- The latest international estimates put total Gaza damage and losses at \$57.9bn and recovery needs at \$71.4bn, underscoring the scale of destruction and the need for sustained financing beyond immediate humanitarian relief, which itself remains underdelivered.
- Violence against women in Palestine has been estimated to cost ILS 297.5m annually, without accounting for war-related impacts that have since intensified abuse, violence, and economic hardship.

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1. AHLC Meeting

On 20 April, the Ad-Hoc Liaison Committee (AHLC) convened in Brussels to discuss the latest humanitarian, economic, and political developments affecting the occupied Palestinian territory.¹ Established as an interim framework to support implementation of the Oslo Accords in 1993, the 15-member AHLC has become a standing policy-level coordination mechanism for donor aid to Palestinians, chaired by Norway and co-sponsored by the EU and the US.²

1.1 US-led Comprehensive Plan to End the Gaza Conflict

The implementation of the US-led 20-point plan and UNSCR 2803 was one of the main issues discussed at the meeting.³ AHLC representatives reaffirmed support for the Gaza peace plan and discussed mechanisms for financing recovery and reconstruction, encouraging donors to step up financial support.⁴ However, implementation remains very limited. Ceasefire talks remain stalled, while Israeli strikes and restrictions have continued.

A recent Scorecard by international humanitarian organisations finds that the ceasefire framework is failing overall.⁵ Key provisions on civilian protection, aid access, basic services, freedom of movement, and recovery have generally failed to materialise. Where limited progress has occurred, it has generally required sustained high-level diplomatic pressure, particularly from the US, but this pressure has not been applied consistently or at the scale needed. The Scorecard records the metrics by which the ceasefire agreement is underachieving:

- Ceasefire and civilian protection: Israeli airstrikes continued after the October 2025 ceasefire, killing more than 850 Palestinians.⁶ Israel has also expanded buffer zones, raising concerns over de facto annexation.
- Humanitarian aid access: Aid volumes remain far below the agreed benchmark of at least

600 trucks per day. Crossings remain mostly closed or heavily restricted, NGOs face major barriers, and the rehabilitation of essential infrastructure is constrained by restrictions on fuel, shelter materials, medical supplies, and so-called “dual-use” items.

- Reconstruction and economic development: No formal development plan or special economic zone has been established. Private investment remains negligible, while commercial imports are unstable, expensive, and cannot substitute for humanitarian aid. Rubble clearance is also severely restricted by limits on the entry of equipment such as excavators, trucks, and fuel.
- Freedom of movement and return: At least 1.7m people remain displaced, many in deteriorating tents with poor sanitation and repeated flooding. Movement beyond the Yellow Line remains blocked, medical evacuations are severely restricted, and patients continue to die while awaiting evacuation.

The assessment, therefore, calls for enforcing a definitive ceasefire, opening all crossings, ensuring at least 600 humanitarian trucks per day, restoring medical corridors, removing arbitrary restrictions on aid and INGOs and ensuring that recovery plans do not entrench displacement or confinement.

While UNSCR 2803 established a temporary governance framework to support an administrative transition in Gaza, the absence of a clearly defined and empowered governance structure continues to complicate both relief and recovery. Board of Peace bodies such as the Gaza Executive Board, the National Committee for Administration of Gaza, and related technocratic arrangements have yet to demonstrate clear authority or tangible impact inside Gaza.

In his remarks to the AHLC, Prime Minister Mohammad Mustafa stressed that UNSCR 2803 must lead to the full return of the Palestinian National Authority (PA) to Gaza and the institutional reunification of Gaza and the West Bank.⁷ He added that the PA is ready to work with the Board of Peace and international partners on transitional arrangements focused on restoring order, basic services, early recovery

1 <https://www.regjeringen.no/en/whats-new/id3158050>

2 <https://www.lacs-mopic.ps/en/Article/526>

3 [An independent Palestine is key to stability in the Middle East | The Government of Norway](#)

4 [Minister Eide's statement at the Ad Hoc Liaison Committee | The Government of Norway](#)

5 [Humanitarian Scorecard: Six Months In, Gaza Ceasefire is Failing](#)

6 <https://english.wafa.ps/Pages/Details/170276>

7 [Prime Minister Office: Statement by PM-Mustafa at the Meeting of the AHLC](#)

and reconstruction. These arrangements, he emphasised, must remain administrative, respect international law and lead to a clear handover to PA governance without undermining Palestinian representation or territorial unity. During his speech, Mustafa also welcomed the establishment of the United Nations Horizon Fund, describing it as both timely and strategic.⁸

1.2 Deteriorating Economic Situation

Mustafa warned that Palestine is facing a severe and interconnected fiscal, economic and political crisis, driven by the war on Gaza, restrictions in the West Bank, withheld clearance revenues, banking-sector constraints, and extremely high unemployment.

The fiscal crisis is particularly acute. Israel continues to withhold the clearance revenues it collects on behalf of the PA under the Paris Protocol, which account for around 67% of public revenues. By March 2026, withheld clearance revenues had reached ILS 13bn, equivalent to 70% of the public expenditure in 2025, and the amount continues to rise as Israel has suspended all transfers since June 2025.⁹ If this continues, the 2026 fiscal deficit is expected to reach ILS 11.86bn, equivalent to 61% of the 2026 budget and 18.9% of GDP.¹⁰ ¹¹ With total government liabilities already reaching around \$15.7bn by the end of March, 90% of GDP, the PA is nearing fiscal paralysis, with growing risks to salaries, arrears, public services, and basic institutional functioning.¹²

The fiscal crisis is unfolding against an already devastated economy. Unemployment reached around 49% in 2025, 31% in the West Bank, and 78% in Gaza, with the loss of work in Israel and the wider economic contraction increasing households' dependence on PA salaries and

social transfers.¹³ Yet since 2021, the PA has paid only partial and delayed salaries, with recent payments ranging from 50% to 70%, accumulating more than \$2.9bn in salary arrears, or 16.6% of GDP.¹⁴ By April, the PA was only able to pay a lump sum of ILS 2000 to all employees, regardless of their actual salary entitlement.¹⁵ PA social assistance payments have remained intermittent and delayed due to persistent financing constraints, with Gaza beneficiaries largely excluded since 2023 and West Bank payments resuming only sporadically.¹⁶

GDP grew by only 4.3% in 2025 from a collapsed 2024 base, remaining 19.5% below its 2023 level (77.5% in Gaza and 10.1% in the West Bank).¹⁷ GDP per capita fell in two years by 22.5% overall, including an alarming 13.9% in the West Bank and an unfathomable 78.1% in Gaza. With poverty exceeding 32.8%, the withholding of revenues and collapse in domestic activity are depriving the PA of any meaningful fiscal space to cushion households, sustain services, or support recovery.¹⁸ The effects are already visible in health and education in the West Bank, where funding and inventory shortages, and partial salaries are weakening public health services and increasing referrals to non-governmental providers, thus accumulating further arrears, while most public schools operate only three days a week. This comes on top of the collapse of health and education services in Gaza, creating lasting educational gaps for an entire generation of Palestinian students.¹⁹

2. Gaza Strip Rapid Damage and Needs Assessment

On 20 April, the World Bank, United Nations, and European Union released the final Gaza Strip Rapid Damage and Needs Assessment (RDNA), providing the third assessment of physical damage, economic and social losses, and recovery needs resulting from the war on

⁸ A recently established UN–Palestinian pooled financing mechanism designed to bridge the gap between immediate humanitarian relief and longer-term reconstruction. It aims to support early recovery by mobilising donor resources under one coordinated platform: <https://mptf.undp.org/fund/4ps00>

⁹ <https://www.pmf.ps/internal.php?route=financial-reports/monthly>

¹⁰ Decree-Law No. (7) of 2026 on the Emergency Budget for Fiscal Year 2026

¹¹ This is covered in more detail in the April 2025 issue of the [Palestine Economic Update](#)

¹² <https://econsultation.moj.pna.ps/consultation-details/113>
<https://www.pmf.ps/documents/accounts/monthly/2026/March.2026.Ar.pdf>

¹³ <https://www.pcbs.gov.ps/media/t5lk34ax/book2738.pdf>

¹⁴ [World Bank: Public Expenditure Review of the Palestinian Authority](#)

[PMO: Cabinet Approves 2026 Emergency Budget](#)

¹⁵ <https://www.wattan.net/ar/news/485381.html>

¹⁶ [World Bank: Impacts of the Conflict in the Middle East on the Palestinian Economy](#)

¹⁷ <https://www.pcbs.gov.ps/media/t5lk34ax/book2738.pdf>

¹⁸ [World Bank: West Bank and Gaza Poverty and Equity Brief](#)

¹⁹ [Al Jazeera: Israel deprives Palestinians of proper education](#)
[World Vision: The Unseen Crisis](#)

Gaza.²⁰ The RDNA covers damage and losses incurred between 8 October 2023 and 9 October 2025, with reconstruction needs estimated over three time-horizons. Post-ceasefire damage and losses are yet to be added to the totals.

2.1 Damages and Losses

The assessment estimates physical damage at \$35.2bn and economic and social losses at \$22.7bn, bringing the total impact to \$57.9bn, an 18% increase compared with the February 2025 RDNA. The social sector sustained the largest share of physical damage,

accounting for 56.1% of the total, driven mainly by the housing sub-sector, where damage reached \$18bn and more than 371,000 housing units were damaged or destroyed (see Table 1). The largest overall sectoral impacts were recorded in housing (\$19.1bn in damage and losses), commerce and industry (\$8.8bn), health (\$8.2bn), transport (\$4.4bn), and education (\$3.4bn). Together, damage and losses in these five sub-sectors alone amount to almost three times Palestine's 2025 GDP.

Table 1: Damages, Losses, and Needs per Sector (USD billion)

Sector	Sub-sectors	Damages	Losses	Needs
Productive	Agriculture and food system	1.44	1.46	10.49
	Commerce and Industry	6.35	2.48	8.99
	Finance	0.02	0.93	0.61
	Total	7.81	4.87	20.08
Social	Cultural Heritage	0.15	0.09	0.23
	Education	1.08	2.36	4.71
	Social protection	0.02	1.56	5.78
	Health	1.39	6.78	10.03
	Housing	18.01	1.06	16.21
	Total	20.65	11.85	36.98
Infrastructure	ICT	0.2	0.35	0.5
	Energy	0.57	0.16	2.73
	Municipal services	0.62	0.38	0.86
	WASH	1.7	0.68	4.24
	Transport	3.21	1.18	1.54
	Total	6.3	2.74	9.87
Cross cutting	Environment	0.15	0.22	2.65
	Land	0.01	0.16	0.03
	Employment	0.02	2.77	1.24
	Governance	0.24	0.11	0.53
	Total	0.42	3.25	4.5
Overall Total		35.2	22.7	71.4

2.2 Recovery and Reconstruction Needs

Total recovery and reconstruction needs are estimated at \$71.4bn, led by the social sector (\$37.0bn), productive sectors (\$20.1bn), infrastructure (\$9.9bn), and cross-cutting needs (\$4.5bn). This highlights the scale of

Gaza's destruction and the need for sustained, coordinated international financing beyond immediate humanitarian relief.

²⁰ <https://www.un.org/unispal/document/>

Table 2: Distribution of Recovery Needs by Sector and Timeframe (USD billion)

Sector	0-8 months	9-18 months	1.5 - 3 years	3-5 years	Total
Productive Sectors	5.12	6.92	5.36	2.7	20.09
Social Sectors	4.29	6.12	15.31	11.28	36.96
Infrastructure	0.96	1.38	2.63	4.87	9.87
Cross-cutting	1.01	0.98	0.71	1.92	4.45
Total	11.38	15.4	24.01	20.77	71.37

immediate and short-term needs estimated for the first 18 months focus on preparing for reconstruction: meeting urgent humanitarian needs, setting up temporary shelter communities, restoring basic services, and clearing the ground for reconstruction and restarting economic activity. These are largely the areas that were expected to witness recovery since the ceasefire, but all remain in limbo. The largest short-term requirements are in agriculture and food systems (\$7.5bn), commerce and industry (\$4.0bn), and housing (\$4.0bn). This phase includes temporary and transitional shelter, emergency cash support, mental health, trauma and nutrition assistance, debris and ordnance clearance, and the restoration of basic administrative functions in health, education, local governance, and social protection.

Medium-term needs, covering the 1.5–3 year period, are estimated at around \$24bn, largely driven by large-scale housing reconstruction, alongside continued investment in health, education, and social protection. This phase moves beyond emergency provision toward rebuilding health centres and educational institutions, restoring livelihoods, and establishing empowerment and social development programmes.

Long-term needs are estimated at \$21.5bn, led by housing (\$4.3bn) and health (\$4.8bn). This phase focuses on completing reconstruction and restoring losses, including housing, health infrastructure, roads, ports, energy networks, WASH systems, and institutional systems for social protection, inclusive education, and shock-responsive healthcare. Overall, the RDNA frames recovery not only as physical reconstruction, but as the rebuilding of more sustainable, resilient, and adaptive systems across sectors.

3. The Economic and Human Costs of Violence Against Women

A recent UN Women study conducted under the Sawasya III Joint Programme estimates the annual economic cost of violence against women in Palestine at ILS 297.5m in 2020 prices.²¹ This underscores that violence against women is not only a human rights concern, but also a significant economic and development challenge, with implications for productivity, public spending, and service delivery systems.

Drawing on data from the Palestinian Central Bureau of Statistics (PCBS) 2019 Violence Survey, complemented by qualitative interviews and focus groups, the study estimates the annual cost of inaction at ILS 203.1m.²² Nearly half of this burden is borne directly by women and households through spending on healthcare, shelter, damaged property, and related needs. Productivity losses account for 43% of total costs, while losses in unpaid care and domestic work represent an additional 7%, including more than 400,000 lost care days annually.

Annual spending on violence-response services across the health, justice, policing, and social sectors in the West Bank and Gaza is estimated at ILS 94.3m. However, this spending is largely financed by donors and UN agencies, raising concerns over its sustainability. Structural challenges, including fragmented public financing, understaffed service providers, and limited psychosocial support for frontline workers, further constrain the effectiveness and reach of these services.

²¹ [United Nations: Sawasya JP Launches a New Study on the Economic Cost of Violence Against Women](#)

²² Forde, C., Chadha, M. and Duvvury, N. (forthcoming) Economic Costs of Violence Against Women in Palestine. UN Women.

Prevalence data highlight the scale of the issue. According to 2019 data,²³ 62.8% of women experienced at least one form of violence during the preceding 12 months. Among unmarried women aged 18–60, 54.9% reported violence, including 40.1% in the home, 22.7% outside the home, and 16.3% through electronic means. Psychological violence was the most common form at 50.1%, followed by physical violence at 18.1%, and economic²⁴ and sexual violence at 6.2% each. Among married women, prevalence was higher, with 62.9% reporting violence overall, including 54.7% in the home, 15.3% outside the home, and 13.1% online or through telecommunications. Psychological violence again predominated at 61.3%, followed by physical violence at 23.3%, economic violence at 21.8%, and sexual violence at 13.1%. In Gaza, violence by husbands was more prevalent than in the West Bank, affecting 70.4% of married women compared with 52.3% in the West Bank.

Conditions have worsened sharply since the war on Gaza, with reports of rising psychological, financial, and physical violence within households, driven by economic collapse, displacement, and war-related stress. In Gaza, 93.8% of women reportedly experienced violence during the war.²⁵ Women have also been at the centre of the broader humanitarian crisis. More than 38,000 women and girls have been killed since October 2023.²⁶ More than 16,000 women have lost their husbands, and women now head roughly one in seven households, often under severe hardship. Around 540,000 women lack access to reproductive healthcare, 700,000 face menstrual hygiene challenges, and more than 328,000 girls have lost two school years.²⁷

In the West Bank, ongoing military operations, settler violence, and movement restrictions have further heightened vulnerabilities. Israeli forces and settlers killed twenty-three women over the past two years, while around 70 female prisoners remain in Israeli prisons.²⁸ A 2025 UNFPA report also documented abuses at checkpoints, raids, and movement restrictions that further limit women's access to healthcare, education,

livelihoods, and family unity.²⁹ Around 232,000 women and girls, including 14,800 pregnant women, face restricted access to reproductive health services, particularly in Jenin, Tulkarem, and Tubas governorates.³⁰

While Palestinians face the intensifying violence of Israeli occupation, action to address different forms and sources of violence against women remains urgent. The central priority is to protect women and uphold their rights within a more just society that provides equal opportunities and empowerment to women. Economic costing only offers an additional lens to highlight the high and recurring costs of inaction. This requires legal and social interventions alongside sustained public investment in prevention, protection, and justice systems; reduced reliance on external funding; stronger institutional capacity; expanded psychosocial support; and public awareness efforts that challenge the social tolerance of gender-based violence.

4. Palestine AI Week

Between 25 April and 1 May, Palestine TechnoPark organised Palestine AI Week 2026 under the theme “Empowering Palestine’s Digital Future”.³¹ The event brought together more than 1,000 participants, over 50 speakers, and more than 50 partners from government, academia, the private sector, startups, investors, and international institutions. Its programme included over 30 activities, ranging from a main conference and technology exhibitions to hackathons, training workshops, policy discussions, startup activities, and research awards.³²

During the event, Prime Minister Mohammad Mustafa announced plans to establish a National Council for the Digital Economy to coordinate priorities across government, regulators, the private sector, and universities.³³ He also placed AI within a wider digital transformation agenda, identifying priority areas such as Arabic-language AI, smart government services, digital education, digital health, cybersecurity, data analysis, and the export of AI-supported digital services. Mustafa further outlined targets to train 10,000 young women and men in future AI-related skills, qualify and employ 1,000 graduates annually in partnership with the market, digitise 50% of key

23 <https://microdata.pcbs.gov.ps/PCBS-Metadata-en-v5.2/719>

24 Encompasses controlling how an individual spends their money, preventing them from work, disposing of their property or inheritance without their consent, or forcing them to resign from employment.

25 [MWA: The Reality of Palestinian Women and the Escalation of Gender-Based Violence \(2025-2026\)](#)

26 [UN: UN Women Palestine Humanitarian Update](#)

27 Ibid

28 https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/.pdf

29 [UNFPA: Situation Report: Crisis in Palestine](#)

30 Ibid

31 <https://technopark.ps/aiweek/en>

32 <https://www.bnews.ps/index.php/ar/node/27600>

33 [WAFA: Mustafa launches Palestine AI Week 2026](#)

government transactions within 18 months, and reduce the time needed to complete government procedures by 40% by 2028.

The initiative comes amid a wider set of digital economy measures. On 15 April, the Ministry of National Economy (MoNE) launched an e-commerce platform to support Palestinian traders and producers, advance economic digitisation, and operationalise the 2025 E-Commerce Decree-Law.³⁴ The ministry framed the platform as a move from 'digitising services' toward 'digitising economic activity', building on earlier measures such as the electronic business portal, simple e-signature, and updates to the commercial and legal framework. This was followed on 16 May by specialised training organised by MoNE and the Palestine Monetary Authority for ministry staff on e-commerce regulation, online store registration, and digital payment systems, including iBuraq, E-SADAD, and SADAD GATE.³⁵ In parallel, on 19 May, the Palestine Standards Institution converted all 41 of its services into electronic services, while also automating internal processes, activating electronic payment and e-signature services, and upgrading its website.³⁶

5. Recent MAS Work: Economic Impacts of Israeli Industrial Zones in the West Bank

On 20 May, MAS held a roundtable on the economic effects of Israeli industrial zones in the West Bank, focusing on Palestinian labour, environmental pollution, and restrictions on Palestinian logistics.³⁷ The background paper argued that around 35 Israeli industrial zones operate as part of the wider settlement economy, deepening Palestinian labour dependency, attracting some Palestinian capital, fragmenting trade routes, increasing transport costs, generating environmental harm, and contributing to land confiscation and the degradation of agricultural and water resources.

Discussants noted that Palestinian workers and investors are often drawn to these zones because of the gap between a constrained Palestinian business environment and the stronger infrastructure, services, and market access available in Israeli industrial zones. Participants

34 <https://www.bnews.ps/index.php/ar/node/27524>

35 <https://www.wattan.net/ar/news/487507.html>

36 Wafa: The Palestine Standards Institution launches its e-services

37 <https://mas.ps/en/publications/13861.html>

called for a clearer official position towards them, better documentation of Palestinian labour and investment in these zones, stronger attention to environmental damage, and measures to protect workers. They also stressed the need to build viable Palestinian alternatives through improved industrial infrastructure, lower production costs, and stronger regional market links.

6. May Trading Activity

AI-Quds Index rose by 0.37% in May to close at 630.27 points, while AI-Quds Total Return Index increased by 1.93% to 439.29 points.³⁸ Trading activity increased significantly, with 28.6m shares traded at a total value of \$53.1m, up 115.5% in volume and 360% in value compared to April.

6.1 AI-Quds Islamic Index

In early June, the Palestine Exchange updated the constituents of AI-Quds Islamic Index for 2026, with 18 of the 47 listed companies meeting Sharia-compliant investment requirements.³⁹ The annual review is based on companies' final audited financial statements and applies AAOIFI Sharia Standard No. 21 on financial paper (shares and bonds), including limits on interest-bearing debt, interest-based deposits and non-compliant investments, and Sharia non-compliant income and expenses.⁴⁰ The index excludes conventional banks, traditional insurance companies, firms engaged in non-compliant activities and companies that are suspended from trading.

In 2025, AI-Quds Islamic Index rose by 20.6% to close at 101.03 points, while AI-Quds Islamic Total Return Index increased by 25.6% to 113.05 points. In May 2026, AI-Quds Islamic Index fell by 2.68% to close at 102.09 points, while AI-Quds Islamic Total Return Index increased by 0.51% to close at 118.93 points.⁴¹ The index, which was introduced in 2022, aims to support the development of Islamic financial services and meet investor demand for Sharia-compliant investment opportunities.⁴²

For the list of companies comprising the AI-Quds Islamic Index, [click here](#).

38 <https://www.pex.ps/bulletins>

39 <https://www.pex.ps/ar/al-quds-islamic-index/>

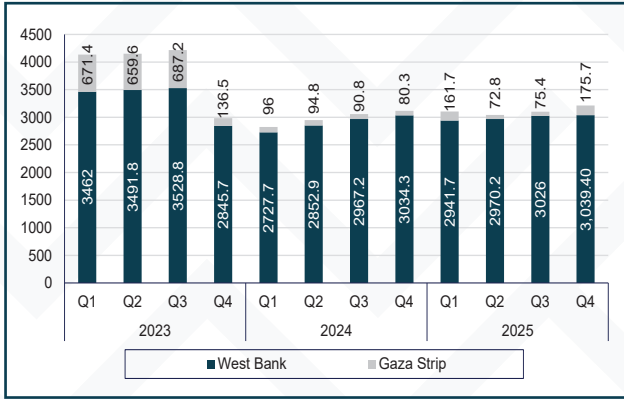
40 <https://aaoifi.com/ss-21-financial-paper-shares-and-bonds/en>

41 <https://www.pex.ps/reporting-center/indices>

42 PCMA: The Capital Market Authority Launches Islamic Index Guidelines

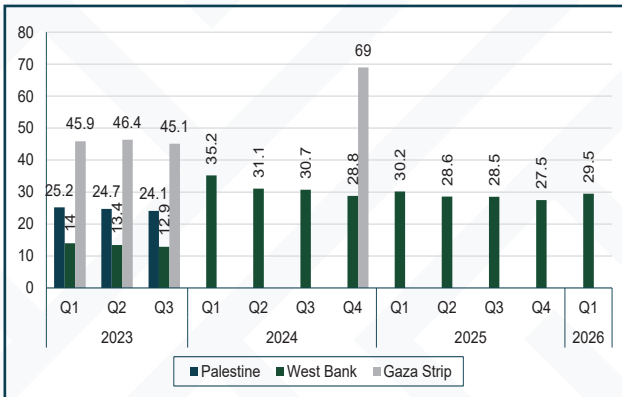
Gross Domestic Product

**Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region
Q1 2023 - Q4 2025**



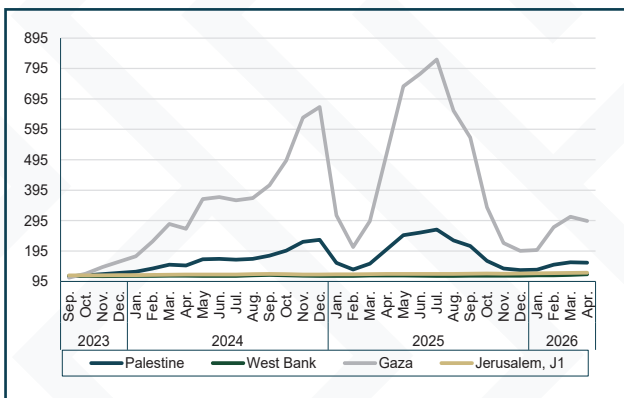
Unemployment

**Quarterly Unemployment (%) in Palestine by Region
Q1 2023 - Q1 2026**



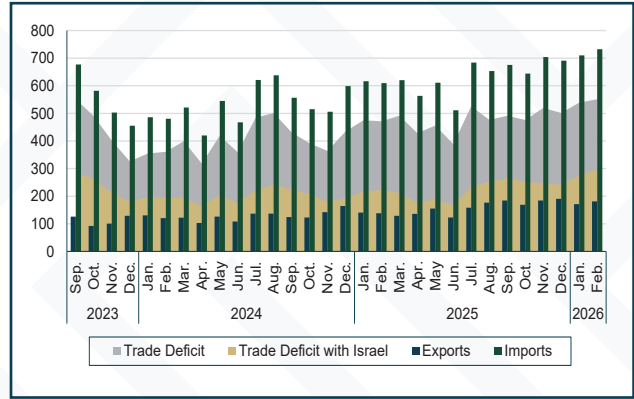
Inflation

**Monthly Consumer Price Index (Base year = 2018) in Palestine by Region
September 2023 - April 2026**



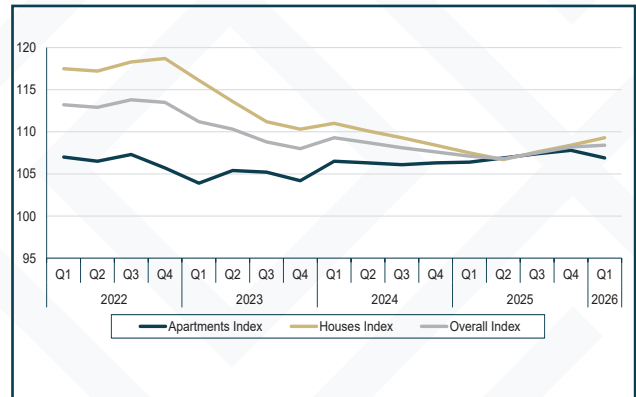
Trade

Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel (million USD) in Palestine, September 2023 - February 2026



Residential Property Price Index

**Residential Property Price Index in Palestine, Q1 2022–Q1 2026
(Base Year: Q1 2018 = 100)**



Banking

**Monthly Customer Deposits and Credit Facilities (million USD) in Palestine
September 2023 - February 2026**

