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PALESTINE ECONOMIC POLICY RESEARCH INSTITUTE (MAS)

Palestine Economic Update

October 2026

Key Messages :

- Israel's continued withholding of tax clearance revenues deepens the PA's fiscal crisis, forcing spending cuts and delayed salary and other outstanding payments while driving up arrears and undermining public services and livelihoods.
- Intensifying Israeli movement restrictions across the West Bank are increasing transport costs, disrupting access to markets and livelihoods, and weakening any remaining prospects for recovery.
- Hebron's footwear industry has taken an important step toward accessing international markets through Amazon.
- Discussions on reforming the Labor Law highlight the need to strengthen workers' rights, improve legal enforcement and social protection, and address challenges facing businesses amid deteriorating conditions.
- Historical performance of PEX indices highlights the substantial contribution of reinvested dividends to long-term investment returns.

1. Declining Public Revenues and Mounting Arrears

The Palestinian Authority's (PA) fiscal crisis continues to deepen as Israel maintains its withholding of and unilateral deductions from clearance revenues. The resulting spending constraints, delayed salary payments, and accumulation of arrears continue to undermine the government's fiscal sustainability and its ability to provide essential public services.

1.1 Public Revenues

Total public revenues on a 'cash basis'[1] reached approximately ILS 4.25bn in the first half of 2026, equivalent to just 55% of revenues recorded during the corresponding period in 2022 and 51% of those in 2023 (Table 1).[2] The decline was primarily driven by the continued withholding of clearance revenues by Israel. Recorded clearance revenues fell by 64.1% year-on-year to ILS 1.6bn, compared with ILS 4.5b in the first half of 2025. However, these figures do not represent actual cash transfers to the PA. With Israel suspending transfers since May 2025, these revenues consisted entirely of direct deductions for electricity, water, wastewater treatment, medical referrals, and other deductions.[3] During the first half of 2026 alone, Israel withheld an additional ILS 3.1bn in clearance revenues after these deductions, leaving the PA without any cash transfers. Between 2022 and mid-2026, cumulative deductions reached approximately ILS 12.1bn, while withheld revenues totalled another ILS 12.8bn.[4]

Domestic revenue collection increased by 4.4% compared with the first half of 2025, reaching ILS 2.6bn, driven mainly by a 7.2% increase in domestic tax revenues. Nevertheless, these remained 19.5% below their corresponding 2023 level, reflecting the prolonged deterioration in economic activity. Meanwhile, foreign grants and assistance declined to approximately ILS 0.7bn, compared with ILS 1.2bn in the first half of 2025.

Table 1: Public Revenues and Expenditures, First Half of Each Year, 2022–2026
(Cash Basis, ILS Million)

Item	2022	2023	2024	2025	2026
Total Revenues	**7,739.5**	**8,348.8**	**5,137.6**	**6,997.8**	**4,246.7**
Tax Revenues	2,025.4	2,285.1	1,701.7	1,405.3	1,505.8
Non tax revenues	718.9	725.6	715.5	957	889.3
Earmarked Revenues	354.6	266.4	180.4	163.4	241.8
Clearance Revenues	5,037.4	5,095.5	2,572.6	4,496.4	1,613.8
Tax Refunds (–)	396.8	23.7	32.6	24.3	4
Total Expenditures	**6,320.4**	**8,273.0**	**5,979.50**	**6,920.3**	**4,918.0**
Wages and Salaries	3,266.8	4,020.4	2,633.6	3,485.7	2,414.7
Non-Wage Expenditures	2,148.6	3,060.4	2,013.8	2,666.3	1,860.7
Net Lending	633.1	655.2	912.4	493.6	276.6
Earmarked Expenditures	80.9	274.6	202.2	102.7	164.6
Development Expenditures	191	262.4	217.5	171.9	201.4
Fiscal Balance Before Grants and Aid	**1,419.10**	**75.7**	**-841.9**	**77.5**	**-671.3**

Source: Ministry of Finance

1 Although the Ministry of Finance reports fiscal operations on a cash basis, its recorded clearance revenues refer to amounts unilaterally deducted by Israel rather than cash actually transferred to the PA. Consequently, reported cash-basis revenues do not accurately reflect the funds available to the government to finance its expenditure.

2 https://pmof.ps/documents/accounts/monthly/2026/July.2026.Ar.pdf

3 Include Israeli court-ordered deductions, refunds of court-related deductions, other clearance revenue withholdings, and deductions for loan repayments.

4 https://pmof.ps/internal.php?route=financial-reports/monthly

The continued suspension of clearance transfers has intensified pressure on the PA's ability to maintain essential services, particularly health and education.[5] During the September meeting of the donor Ad Hoc Liaison Committee (AHLC), Minister of Finance and Planning Estephan Salameh called for the immediate release of withheld revenues and exceptional direct budget support, stressing that existing donor commitments were insufficient to overcome the critical fiscal crisis.[6]

1.2 Public Expenditure

Total expenditure on a cash basis fell by 28.9% year-on-year to ILS 4.9bn in the first half of 2026, approximately 40.6% below its corresponding 2023 level. Actual wage and salary payments declined by 30.7% to ILS 2.4bn, while non-wage expenditure fell by 30.2% to ILS 1.9bn. These reductions largely reflect severe liquidity shortages as the government continues to pay partial and delayed salaries rather than structural improvements in fiscal performance.[7]

Net lending, which largely reflects payments deducted by Israel from clearance revenues to settle obligations to Israeli utility providers, declined by 44% year-on-year to ILS 276.6m. The Ministry of Finance has also reported progress in addressing accumulated net lending obligations through financial settlements with 170 local authorities and seven electricity and water distribution companies, reflecting an improvement in public financial management.[8]

The fiscal balance before grants recorded a deficit of ILS 671.3m on the reported cash-accounting basis during the first half of 2026. However, the relatively limited deficit conceals a considerably larger financing problem, as reported revenues include non-cash clearance deductions while unpaid expenditure obligations continue to accumulate. On an accrual basis, public expenditure reached ILS 7.8bn in the first half of 2026, approximately ILS 2.9bn higher than cash-basis expenditure.

5 https://www.bnews.ps/ar/node/28346
6 https://www.wafa.ps/news/2026/9/27/154754 and https://www.aliqtisadi.ps/ar/Article/111643
7 https://www.bnews.ps/ar/node/28346
8 https://www.bnews.ps/ar/node/28361

1.3 Arrears and Public Debt

The government's inability to meet its financial obligations has resulted in the continued accumulation of arrears to public employees, suppliers and other creditors. By mid-2026, outstanding arrears had reached approximately ILS 22.8bn, while public debt stood at ILS 15.1bn, of which around 73% was domestic debt. With these obligations accounting for around 73% of GDP, the financing burden is becoming overwhelming.

The government's continued postponement of its financial obligations amid Israeli-imposed fiscal pressures is shifting the financial burden onto public employees, households, businesses and banks, weakening purchasing power, private sector liquidity and broader economic stability. Without the resumption of clearance revenue transfers, and substantial and predictable budget support, mounting arrears and financing constraints will continue to threaten fiscal sustainability, the provision of essential public services, and household livelihoods and resilience.

2. West Bank Mobility Restrictions

Movement restrictions across the West Bank have intensified significantly since October 2023, increasing travel times, raising business costs, and further fragmenting economic activity. A recent investigation by Arab Reporters for Investigative Journalism (ARIJ), WIRED, Lighthouse Reports, the Palestine Reporting Lab and Evident found that regular commuters lose an average of 90 minutes each week taking longer routes to avoid checkpoints.[9] Average checkpoint waiting times have also increased by more than 50% since October 2023, from under ten minutes to around 15 minutes. Beyond these delays, 79% of survey respondents reported traveling less frequently than before October 2023, indicating that the economic costs extend beyond longer journeys and higher costs to lost opportunities for employment, commercial exchange, education and other economic activities. A recent study by the MAS estimated that Israeli checkpoints in the northern and central West Bank cost the Palestinian economy approximately ILS 2.9 million daily in lost working hours and additional fuel consumption.[10]

9 https://www.lighthousereports.com/methodology/west-bank-explainer/
10 https://mas.ps/news/12336.html

2.1 Intensifying Movement Restrictions

As of December 2025, OCHA documented 925 obstacles restricting Palestinian movement across the West Bank, 43% higher than the annual average of 647 obstacles over the preceding two decades.[11] Checkpoints and road gates now account for nearly 60% of obstacles, compared with around 15% two decades ago. Unlike fixed earth mounds or roadblocks, gates and checkpoints can be opened or closed without notice, making travel increasingly unpredictable and allowing restrictions at a few strategic locations to isolate entire communities or areas.[12]

The expansion of Israeli settlements and outposts, alongside the development of roads connecting them, has further compounded these restrictions by limiting Palestinian access to land and existing transport routes.[13] According to Peace Now, Israeli expenditure on designated settlement roads increased from ILS 209.5m in 2019 to ILS 789.8m in 2023.[14] In June 2024, the Israeli Finance Minister announced a five-year allocation of approximately ILS 7bn for settlement roads, followed by an additional ILS 1.075bn earmarked in May 2026 for 2026–2028.[15] Separately, Peace Now documented the construction of 139 unauthorized roads by settlers between mid-2023 and mid-2024, extending 116.4 kilometers, of which approximately 75 kilometers crossed privately owned Palestinian land.[16]

A recent example concerns Israeli plans to open a route for settler traffic that cuts through the Ramallah and Al-Bireh conurbation, restricting Palestinian access to strategic roads connecting residential neighborhoods and surrounding communities.[17] If implemented, the plans could involve new military installations, restrictions on Palestinian road use, land confiscation and the diversion of traffic onto already congested alternatives, while further constraining urban expansion. According to the Al-Bireh mayor, roughly 95% of the route lies in Area B, and the proposed changes could affect an estimated 250,000 Palestinians in a governorate with nearly 400,000 residents.[18] Although the full implications of the plans and the political conditions necessary for their implementation remain uncertain, the case illustrates how opening a single route to serve Israeli settlements encroaching on Palestinian cities could disrupt Palestinian access to workplaces, services and neighboring communities while increasing exposure to settler violence.[19]

2.2 Disruption of Economic Activity

PCBS preliminary estimates show that West Bank GDP contracted by 4% in the second quarter of 2026 compared with the corresponding period in 2025.[20] Agriculture, forestry and fishing recorded the largest year-on-year decline in value added, at 15%, as restrictions on access to farmland, repeated settler attacks and disruptions to transport continue to adversely affect cultivation, increase input costs and impede the movement of agricultural products to markets.[21] These pressures operate alongside weakened demand, declining purchasing power, fiscal constraints, uncertainty surrounding correspondent banking relations and restrictions on employment in Israel and its settlements, which continue to undermine economic recovery.

Compared with the second quarter of 2023, value added in transportation and storage in the West Bank remained approximately 35.8% lower in the second quarter of 2026, representing the largest percentage contraction among economic sectors in the West Bank since the war on Gaza.[22] As the recent investigation demonstrates, longer detours, checkpoint delays and unpredictable closures increase travel times and transport costs, and reduce the number of journeys drivers can undertake and busi-

11 OCHA: Face Sheet Movement and Access West Bank April 2026
12 B'Tselem: The Mechanism of Elemination in the West Bank
13 https://peacenow.org.il/en/cabinet-decision-on-the-establishment-of-34-new-settlements, https://www.lemkininstitute.com/single-post/new-data-reveals-expansion-of-israeli-settlement-jurisdiction-in-west-bank and https://www.ofekcenter.org.il/wp-content/uploads/2022/09/2020E.pdf
14 https://peacenow.org.il/en/budget-for-roads-for-settlements
15 https://peacenow.org.il/en/additional-billion-for-roads and https://www.bbc.com/news/articles/c2lq5g4dedpo
16 https://peacenow.org.il/en/all-paths-lead-to-annexation
17 https://www.haaretz.com/middle-east-news/palestinians/2026-09-29/ty-article-magazine/.premium/settlers-aim-to-split-the-ramallah-metropolis-the-idf-is-following-their-lead/000001a0-e817-d272-adf6-fdd761990000
18 https://www.aljazeera.com/news/2026/10/14/israeli-plan-to-reopen-settler-route-463-threatens-to-isolate-ramallah
19 https://www.haaretz.com/middle-east-news/palestinians/2026-09-29/ty-article-magazine/.premium/settlers-aim-to-split-the-ramallah-metropolis-the-idf-is-following-their-lead/000001a0-e817-d272-adf6-fdd761990000
20 https://www.pcbs.gov.ps/media/h52lfrlh/qnaq22026e.pdf
21 See September 2026 issue of the PEU for a more detailed coverage.
22 https://www.pcbs.gov.ps/en/press-releases/?catId=18&subCatId=46

nesses' access to customers and suppliers. Rising fuel prices have compounded these pressures. The retail price of diesel, used by approximately 52.2% of licensed vehicles in the West Bank[23], increased from ILS 5.94 per liter in October 2025 to ILS 8.99 in October 2026, an increase of approximately 51.3%.[24] Higher fuel prices, combined with longer routes and checkpoint delays, have substantially increased transportation costs for businesses and commuters. Recently, the president of the Federation of Palestinian Chambers of Commerce estimated that closures and movement restrictions had raised the wider economic cost of activity by around 20%, reflecting additional transport, fuel, time and related expenses.[25]

The economic consequences of Israeli movement restrictions extend well beyond transportation.[26] By fragmenting markets, increasing transaction costs and restricting access to labor, customers and productive resources, they weaken productivity, reduce the viability of business activities and discourage investment.[27] Movement restrictions represent an increasingly entrenched structural constraint on the West Bank economy, further undermining economic resilience and the prospects for recovery amid multiple interconnected crises.[28]

3. Hebron Footwear Industry Begins Exporting to Amazon's US Market

In September, the Hebron Leather and Shoes Cluster (HLSC), operating under the Shoghol Al-Khalil brand, exported its first shipment of Palestinian-made footwear from six local manufacturers to Amazon fulfillment centers in the United States.[29] The initiative was supported by the Supporting MSMEs Competitiveness and Growth in Palestine Program (SMCGP), funded by the Government of Sweden and implemented by Global Communities. The program builds upon supply chain market development research produced by MAS in 2025 as part of the project design.

The development comes amid a prolonged contraction in Hebron's footwear and leather industry, historically an important source of manufacturing employment. The sector has faced growing competition from lower-priced imports, weakening domestic demand, high production costs, and difficulties accessing external markets.[30] According to HLSC Chairman Amer Arafeh, employment declined from approximately 20,000 workers in the 1990s to around 3,000 in 2026, while the number of establishments fell from an estimated 3,000–4,000 to approximately 240–250.[31]

Established in 2013 and incubated by the Hebron Chamber of Commerce and Industry, HLSC brings together enterprises across the footwear and leather value chain. Its earlier efforts to expand market access included establishing permanent retail outlets and launching MyShoes.ps, an e-commerce platform.[32] With support from SMCGP, the platform was subsequently upgraded, accompanied by staff training in digital marketing and promotional campaigns to expand online sales.[33] A commission-based model was also introduced to support the platform's financial sustainability. Building on these initiatives, HLSC sought to expand its market access beyond the domestic market through Amazon.

Entering the Amazon marketplace required overcoming significant administrative and technical barriers, particularly as Palestine is not included among the countries eligible for seller registration.[34] With support from SMCGP, HLSC established the US-registered company Holy Land Footwear, introduced the 'Canaanite Steps' brand, opened an Amazon seller account and prepared product listings for participating manufacturers.[35] Specialized consultancy support facilitated the process and strengthened the cluster's capacity to manage international e-commerce operations.

Participating manufacturers also had to improve product quality, conduct tests against applicable

23 https://www.aliqtisadi.ps/ar/Article/110714
24 https://www.aliqtisadi.ps/ar/Article/111744
25 https://www.aliqtisadi.ps/ar/Article/111597
26 Handel (2010): Exclusionary surveillance and spatial uncertainty in the occupied Palestinian territories.
27 https://www.aliqtisadi.ps/ar/Article/111673
28 https://thedocs.worldbank.org/en/doc/caf69bb9db6d729c6b35254c5815df9a-0280012026/original/Palestinian-Economic-Monitor-5-19-26web.pdf
29 https://www.bnews.ps/ar/node/28371
30 https://mas.ps/publications/2832.html
31 https://www.raya.ps/news/1226275.html
32 https://myshoes.ps/
33 Global Communities, The Hebron Leather & Shoes Cluster: First Palestinian Footwear Export to Amazon and SMCGP Support to the Cluster, background brief prepared by SEC for the SMCGP Programme (2026)
34 Ibid
35 https://www.raya.ps/news/1226275.html

technical standards and refine finishing processes to meet market requirements.[36] The initial shipment included men's and women's footwear as well as work shoes, with manufacturers seeking to compete primarily on quality rather than price.

Beyond the United States, HLSC is seeking to expand its presence in Canadian and European markets through Amazon, while increasing participation beyond the initial six manufacturers.[37] The cluster is also pursuing further promotional activities in Jordan, including plans to exhibit Palestinian footwear in Amman.

4. Discussions of Labor Law Reform

On 7 September, the General Union of Palestinian Industries, in cooperation with the Arab Industrial Development, Standardization and Mining Organization and with the participation of the Ministries of Labor and Industry, organized a workshop on the implications of Labor Law for the industrial sector.[38] Discussions focused on the practical application of labor regulations, employers' and workers' rights and obligations, occupational health and safety, and measures to strengthen legal compliance and reduce labor disputes.

The workshop comes amid longstanding efforts to amend Labor Law No. 7 of 2000, a process that has progressed slowly due to persistent disagreements among social partners and competing priorities. The Ministry of Labor has repeatedly emphasised the need for broader dialogue among the government, employers and workers to address labor market imbalances, strengthen social protection and improve working conditions.[39] Earlier in 2026, the tripartite Labor Policy Committee adopted a plan to advance the reform process.[40] Nevertheless, significant issues remain unresolved. The International Labor Organization (ILO) has identified longstanding disagreements concerning maternity protection, working hours, enterprise restructuring and dismissals, and end-of-service benefits.[41] It has also called for extending legal protection to inadequately covered categories of workers, including self-employed, seasonal, unpaid family and domestic workers, alongside strengthening gender equality protections.[42]

However, the challenges extend beyond the law's provisions to their effective enforcement. A 2023 study conducted by the Palestine Economic Policy Research Institute (MAS), commissioned by the ILO, found that labor inspections were insufficiently effective, while existing penalties provided limited deterrence against violations.[43] The study also identified inadequate inspection resources and the absence of specialized labor courts as obstacles to workers obtaining their legal entitlements, particularly end-of-service benefits. Lengthy and costly judicial proceedings can also pressure workers into accepting settlements below their statutory entitlements.

According to PCBS, 42.1% of private-sector wage employees in the West Bank worked without employment contracts in the second quarter of 2026, while only 35.5% reported receiving contributions toward retirement or end-of-service benefits.[44] Among female private-sector wage employees, 49.8% reported paid maternity leave. Furthermore, approximately 41,000 private-sector wage employees, equivalent to 15.5% of the total, earned less than the monthly minimum wage of ILS 1,880, with average monthly earnings of just ILS 1,455. These challenges have become more pronounced amid the economic deterioration since October 2023.

Against this backdrop, reforming the Labor Law requires balancing effective protection of workers' rights with the operational and financial constraints facing businesses. Strengthening enforcement, improving dispute resolution mechanisms and extending protection to vulnerable workers are essential. Equally important is ensuring that the legislative framework reflects the changing conditions of the labor market and supports the sustainability of enterprises and employment.

36 Ibid
37 Ibid
38 https://www.mol.pna.ps/news/1682
39 https://mol.pna.ps/news/941 and https://www.mol.pna.ps/news/973
40 https://www.mol.pna.ps/news/1410
41 https://webapps.ilo.org/DevelopmentCooperationDashboard/p/project/108806#a1bhz30
42 https://www.ilo.org/sites/default/files/2024-07/ILO_OPT_Impact_businesses_2024.pdf
43 https://mas.ps/cached_uploads/download/2023/05/04/evaluation-of-social-protection-study-arb-1683200330.pdf
44 https://www.pcbs.gov.ps/ar/post-details/?postId=26648

5. September Trading Activity

During September, the Al-Quds Index rose by 2.82% compared with August, closing at 705.15 points. Market capitalization also increased by approximately 2.55%, reaching around $5.4bn.[45] Total trading value reached $23.3m, an increase of 74.3% compared with August, while trading volume rose by approximately 63% to 10.7m shares.

5.1 Holy Land Takaful Insurance IPO

On 25 August, the Holy Land Takaful Insurance Company concluded its initial public offering (IPO), attracting subscriptions worth approximately $7m against an offering of 1,817,500 shares at a nominal price of $1 per share.[46] It received approximately 547 subscription applications with a subscription coverage rate of 390%.

On 17 September, the Palestine Capital Market Authority (PCMA) approved the IPO results and the share allocation mechanism. Under the approved arrangements, the company's paid-up share capital will increase from approximately $13.18m to $15m.[47] The allocation mechanism guarantees subscribers up to 1,500 shares, subject to the number requested, with the remaining shares distributed proportionally. The company is proceeding with the necessary registration and listing procedures, with trading on the Palestine Exchange (PEX) expected to commence within three months of regulatory approval.

According to PCMA data, the company recorded a solvency margin of 229% at the end of 2025, the highest among licensed insurers and considerably above the regulatory minimum of 130%.[48] The company also approved a 5% cash dividend distribution for the 2025 financial year.

6. Special Coverage: Palestine Exchange Indices

Stock market indices are key indicators of market performance and provide an important benchmark for investors to assess investment returns. Nonetheless, it is important to distinguish between different indices when evaluating market developments, as they differ in their composition, selection criteria and calculation methodologies. The Palestine Exchange (PEX) maintains three major price indices, the General Index, Al-Quds Index and Al-Quds Islamic Index, alongside their corresponding Total Return Indices, which incorporate the reinvestment of cash dividends, and sector-specific indices.[49] Total Return Indices provide a more comprehensive measure of investment performance, particularly in markets where dividend distributions constitute an important component of shareholder returns.[50]

6.1 The General Index and General Total Return Index

The General Index provides the broadest measure of PEX performance, covering all listed companies across the exchange and offering a comprehensive representation of changes in listed-company share prices. The General Total Return Index (General TR) uses the same underlying market coverage but also accounts for cash dividends, assuming they are reinvested. Comparing the two indices therefore illustrates the contribution of dividend distributions to overall investment returns across the listed market.

Between August 2006 and August 2026, the General Index increased by approximately 12.6%, compared with a cumulative gain of 135% for the General TR, highlighting the substantial contribution of reinvested dividends to long-term investment returns.[51] This difference was also evident during periods of market decline. In 2023 and 2024, the General Index recorded a cumulative contraction of 17.7%, compared with 13.4% for its total-return counterpart. The market subsequently recovered in 2025, with the General Index increasing by 19.2% and General TR by 21.9%. The recovery continued during the first nine months of 2026.

45 https://www.pex.ps/reporting-center
46 https://www.armt-ins.com/content/news/1305.html
47 https://www.armt-ins.com/content/news/1321.html
48 https://www.pcma.ps/en/solvency-ratio/
49 https://www.pex.ps/reporting-center/indices
50 https://www.pex.ps/en/total-return-indices/
51 https://www.pex.ps/reporting-center/indices

Figure 1: PEX General Index and General Total Return Index, August 2006 – August 2026



Figure 2: PEX Al-Quds Index and Al-Quds Total Return Index, August 2006 – August 2026



6.2 The Al-Quds Index and Al-Quds Total Return Index

Introduced in July 1997, the Al-Quds Index is the principal benchmark of PEX. Unlike the General Index, it includes a selected sample of the most active and influential listed companies.[52] The index currently comprises 16 companies, selected through a methodology that considers market capitalization, trading frequency, share turnover, and free float. The selected companies must collectively account for at least 75% of the total market capitalization of listed companies.[53]

The Al-Quds Index is market-capitalization-weighted, meaning that price movements in larger constituent companies generally have a greater influence on its performance. Its total-return counterpart, Al-Quds TR, measures the combined effect of share-price changes and reinvested cash dividends for the same group of companies.

Between August 2006 and August 2026, the Al-Quds Index increased by approximately 8.4%, compared with a cumulative gain of 147.7% for its total-return counterpart.[54] During 2023 and 2024, the Al-Quds Index declined by a cumulative 22.1%, compared with 17.8% for the Al-Quds TR. The subsequent recovery in 2025 saw the price index increase by 24.4%, while its total-return counterpart gained 26.7%. This upward trend continued during 2026.

52 https://www.pex.ps/en/al-quds-index/
53 PEX: Methodology for Selecting the Al-Quds Index Sample on the Palestine Exchange
54 https://www.pex.ps/reporting-center/indices

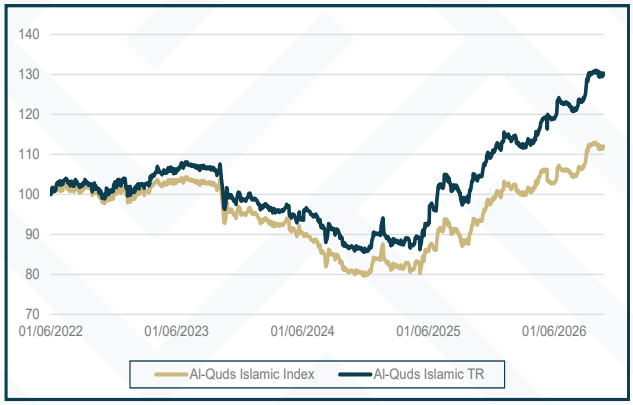
6.3 The Al-Quds Islamic Index and Al-Quds Islamic Total Return Index

Launched in June 2022, the Al-Quds Islamic Index provides a benchmark for companies satisfying specified Sharia-compliance requirements. Its selection criteria are based on Sharia Standard No. 21 issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).[55] These include limits on interest-bearing debt, interest-bearing deposits and non-compliant investments, alongside restrictions on non-compliant income and expenses.[56] The Al-Quds Islamic Total Return Index (Al-Quds Islamic TR) follows the same group of companies but incorporates reinvested cash dividends, allowing investors to evaluate total investment returns within the Sharia-compliant segment of the market.

Since their introduction in June 2022 and as of 31 August 2026, the Al-Quds Islamic Index and its total-return counterpart increased by approximately 7.8% and 25.2%, respectively.[57] Both indices experienced large declines in 2023 and 2024, with cumulative losses of 17.5% for the price index and 13.2% for the total-return index. Performance recovered strongly in 2025, with the Al-Quds Islamic Index increasing by 20.3%, compared with 25.2% for its total-return counterpart. The recovery continued in 2026.

55 https://www.pex.ps/en/al-quds-islamic-index/
56 PEX: Al Quds Islamic Index
57 https://www.pex.ps/reporting-center/indices

Figure 3: PEX Al-Quds Islamic Index and Al-Quds Islamic Total Return Index, June 2022 – August 2026



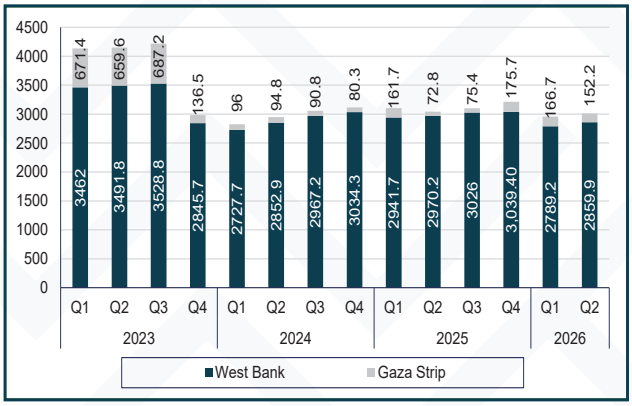
6.4 Historical Performance

The historical performance of PEX indices illustrates their sensitivity to successive economic and political shocks, particularly the COVID-19 pandemic in 2020 and the deterioration in economic conditions following October 2023. Despite substantial declines during these periods, PEX indices have recovered from these shocks and continued to grow in 2026. The large gap between price and total-return indices demonstrates that reinvested cash dividends contributed significantly to long-term investment returns while partially mitigating losses during market downturns.

Nevertheless, movements in stock market indices should not be interpreted as a measure of the performance of the wider economy. Index movements largely reflect changes in the valuations of listed companies, whose financial performance and market conditions may differ considerably from those of smaller businesses and households. Furthermore, differences among the General, Al-Quds, and Al-Quds Islamic indices reflect variations in their composition and sectoral exposure.

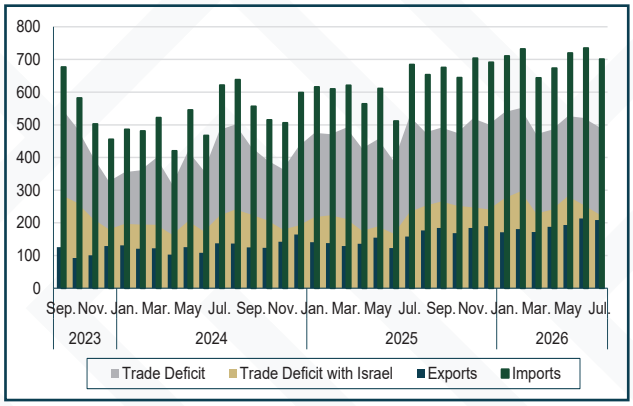
Gross Domestic Product

Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region Q1 2023 - Q2 2026



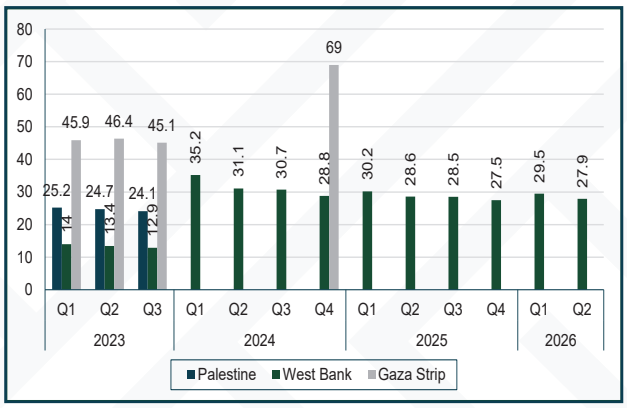
Trade

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



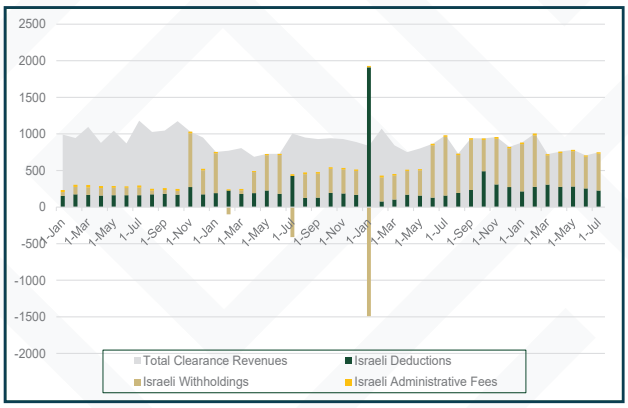
Unemployment

Quarterly Unemployment (%) in Palestine by Region Q1 2023 - Q2 2026



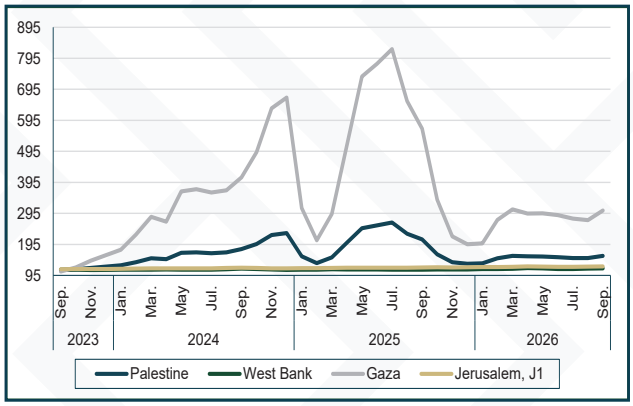
Clearance Revenue Flows

Monthly Total Clearance Revenues Israeli Deductions, Withholdings and Administrative Fees (million ILS) January 2023–July 2026



Inflation

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



Banking

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

