



United Nations Conference on Trade and Development

Distr.: General
30 September 2025

Original: English

Trade and Development Board

Seventy-second session

Geneva, 24–28 November 2025

Item 4 of the provisional agenda

Report on UNCTAD assistance to the Palestinian people

Developments in the economy of the Occupied Palestinian Territory

Note by the UNCTAD secretariat^{*,**}

Summary

This note is focused on the devastating economic impact and humanitarian consequences in the Occupied Palestinian Territory of the escalation of hostilities since October 2023, which have intensified the effects of prolonged occupation, triggering socioeconomic collapse. The scale of destruction has unleashed cascading crises, economic, humanitarian, environmental and social, propelling the Occupied Palestinian Territory from de-development to utter ruin. The military operations have ravaged vital infrastructure, including hospitals, universities, schools, places of worship, cultural heritage sites, water and sanitation systems, agricultural land and telecommunications and energy networks. As highlighted in the note, there has been a significant economic fallout due to the deterioration of the situation in the West Bank, where the escalation of violence has led to mass displacement and an unprecedented number of demolitions of Palestinian public and private assets. In the Occupied Palestinian Territory, the gross domestic product has collapsed, unemployment has soared and poverty has surged to unprecedented levels. In addition, the future of Gaza stands at a critical juncture, as uncertainty increases as to whether Gaza can recover and rebuild the foundations of a sustainable, functioning society. Immediate and coordinated international intervention is imperative, to address urgent humanitarian needs, rebuild shattered economic foundations, reverse de-development and restore hope and prospects for lasting peace and stability.

* The designations employed, maps and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries. In accordance with the relevant resolutions and decisions of the General Assembly and Security Council, references to the Occupied Palestinian Territory or territories pertain to the Gaza Strip and the West Bank, including East Jerusalem. Use of the term “Palestine” refers to the Palestine Liberation Organization, which established the Palestinian National Authority. References to the “State of Palestine” are consistent with the vision expressed in Security Council resolution 1397 (2002) and General Assembly resolution 67/19 (2012).

** Agreement was reached to publish the present document after the standard publication date owing to circumstances beyond the submitter’s control.



I. De-development accelerates

1. For a decade and half, the Palestinian economy has endured a process of de-development, with constraints systematically stifling growth. In Gaza, the private sector has been crippled by stringent restrictions, electricity shortages and restricted access to productive resources and essential technology and imports. The West Bank faces inflated production costs, a crumbling infrastructure and restrictions related to land, water and other vital economic resources, as a result of the occupation. These long-standing structural barriers have collectively strangled economic development, eroded productive capacity, entrenched widespread poverty and forced a dependence on foreign aid. Key constraints include the following:

(a) Repeated military operations (2008–09, 2012, 2014, 2021, 2022, 2023–24), which have shattered infrastructure;

(b) The blockade on Gaza and movement restrictions in the West Bank, which deprive the economy of imported technology and essential inputs, inflate production costs and curtail the competitiveness of Palestinian producers;

(c) The fragmentation of the West Bank, Gaza and East Jerusalem, which hinders the evolution of a cohesive, integrated economy and a unified market and polity. These regions operate under distinct legal, political and administrative systems. Palestinian producers therefore face unequal opportunities and rights depending on location.

2. The escalation of hostilities followed the attacks by Hamas and other Palestinian armed groups on 7 October 2023. The ensuing military operations have resulted in the displacement of almost the entire population of Gaza, inflicted significant civilian casualties, fostered an unprecedented humanitarian crisis and decimated critical civilian infrastructure. Violence has also significantly affected the West Bank, and the ensuing economic collapse across the Occupied Palestinian Territory has aggravated the costs of the 58-year occupation by Israel.

3. In 2024, the Palestinian economy experienced its steepest decline amid the escalation of hostilities that devastated critical infrastructure, including factories, businesses, hospitals, schools, universities, residential buildings and banks, along with vital energy, water, telecommunications and agriculture assets.

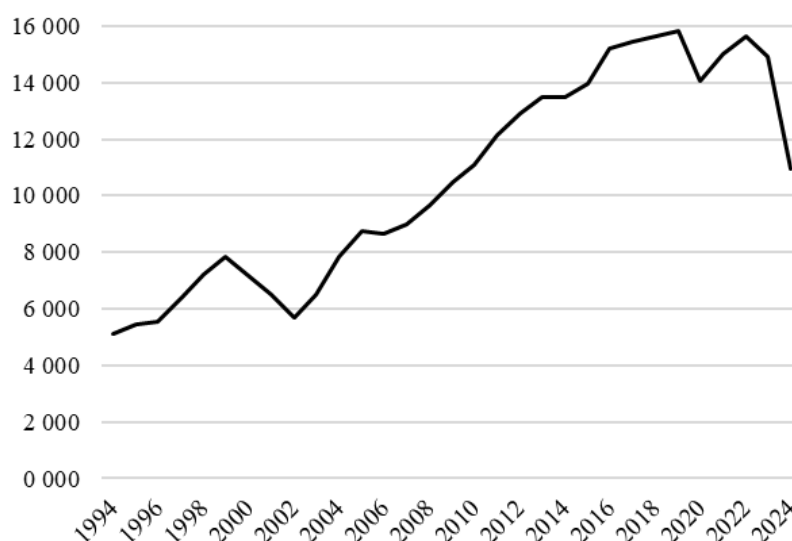
A. Decades of development lost in the span of 15 months

4. Across the Occupied Palestinian Territory, production has come to a near standstill, with disruptions or complete halts in key sectors and income sources vanished and communities erased. As pre-existing vulnerabilities worsened, a severe humanitarian crisis took hold, including impoverishment, environmental degradation and the accumulation of vast expanses of rubble, failed waste management systems, crippled municipal services and escalating public health threats.¹

5. The military operations have had significant macroeconomic repercussions. By 2024, the gross domestic product (GDP) of the Occupied Palestinian Territory had fallen to 70 per cent of the 2022 level, with output shrinking by 27 per cent compared with in 2023. This decline led to a 28 per cent drop in GDP per capita from 2023 levels and a 33 per cent drop from 2022 levels. By end-2024, the economy had regressed to 2010 levels, with GDP at only 69 per cent of the 2019 peak (figure 1) and GDP per capita at 2003 levels and at only 60 per cent of the 2016 peak, thereby erasing 22 years of economic progress in only 15 months. While the downturn was severe across Palestine, Gaza has experienced the most devastating impact.

¹ A/79/343.

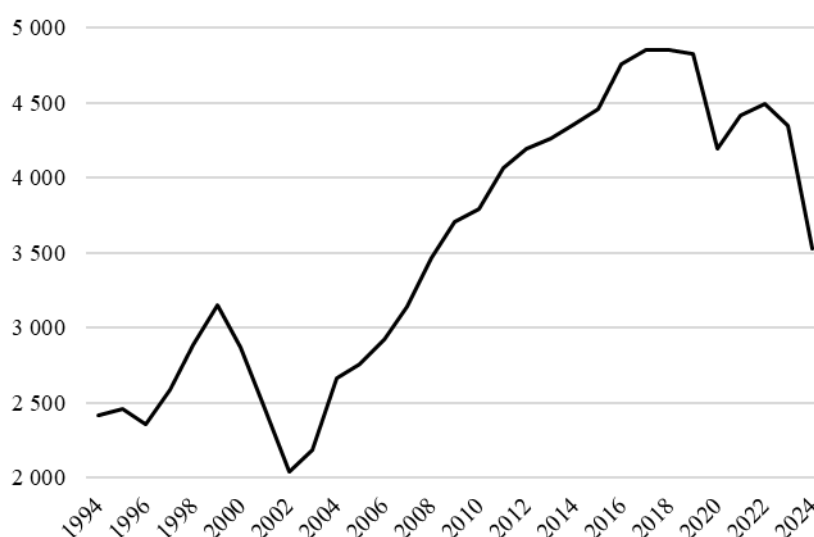
Figure 1
Occupied Palestinian Territory: Real gross domestic product
 (Millions of constant 2015 dollars)



Source: UNCTAD secretariat calculations, based on Palestinian Central Bureau of Statistics (PCBS) national accounts.

6. In the West Bank, the escalation of hostilities, Israeli restrictions on Palestinian workers' access to labour markets, in the West Bank, Israel and settlements, and a worsening fiscal crisis triggered a significant downturn. In 2024, GDP shrank by 17 per cent and GDP per capita, by 18.8 per cent, erasing 17 years of economic progress (figure 2). By end-2024, total GDP had fallen to 2014 levels and GDP per capita, to 2008 levels.

Figure 2
West Bank: Real gross domestic product per capita
 (Constant 2015 dollars)



Source: UNCTAD secretariat calculations, based on PCBS national accounts.

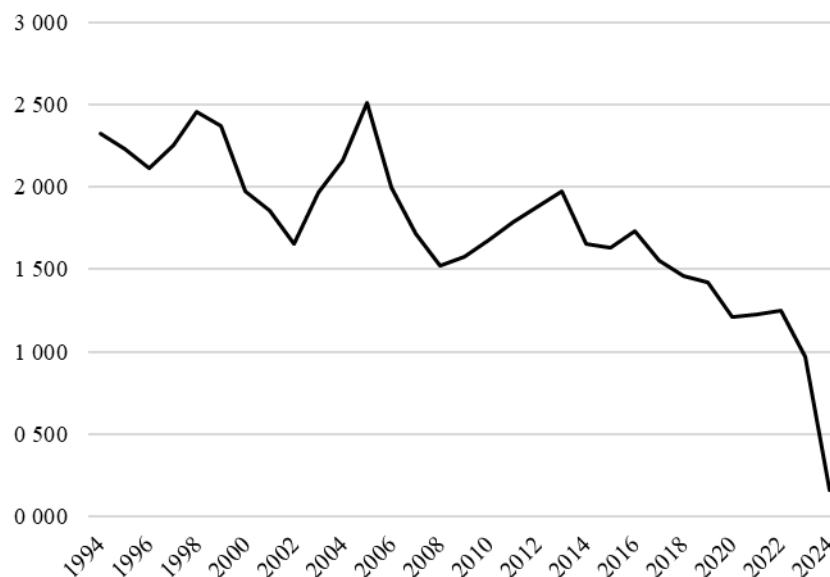
7. By 2024, the economy of Gaza had shrunk to 16.7 per cent of 2023 levels and 13.3 per cent of 2022 levels. With formal commerce decimated, remaining activity shifted to the informal sector, where essential goods are sold at exorbitant prices. In addition, rising

desperation led to an increase in child labour, with children forced into hazardous, low-wage work.² GDP per capita dropped to \$161, or 6.4 per cent of the 2005 peak (figure 3).

Figure 3

Gaza: Real gross domestic product per capita

(Constant 2015 dollars)



Source: UNCTAD secretariat calculations, based on PCBS national accounts.

8. The World Bank estimates that the economic collapse in Gaza ranks among the most significant economic contractions in recent history. Based on a conflict severity index that evaluates the depth of economic shock (measured by peak-to-trough decline in real GDP per capita) and the duration of recovery to pre-crisis GDP per capita levels, the crisis in the West Bank and Gaza ranks as the tenth most severe economic crisis globally since 1960. Notably, the crisis in Gaza is the most severe ever recorded based on the Uppsala (Sweden) Conflict Data Programme data set.³

9. The Economic and Social Commission for Western Asia and the United Nations Development Programme forecast a harrowing socioeconomic toll. The Palestinian Human Development Index is projected to fall from 0.716 in 2022 to 0.643 in 2024, erasing a quarter of a century of hard-won progress. The impact is worse in Gaza, where over 69 years of human development are estimated to have already been lost.⁴

10. The Palestinian economy is in a downward spiral. In Gaza, nearly all businesses have been destroyed, and multidimensional poverty now engulfs the entire population.⁵ In the West Bank, violence, accelerated settlement expansion and restrictions on worker mobility have decimated the economy, resulting in the worst economic decline since UNCTAD began to maintain records in 1972.

11. Tables 1 and 2 provide an overview of key and selected economic indicators.

² See <https://www.ilo.org/publications/impact-war-gaza-private-sector-workers-and-businesses-west-bank>.

³ World Bank, 2025, Impacts of the conflict in the Middle East on the Palestinian economy, Economic Monitoring Report, April, available at <https://thedocs.worldbank.org/en/doc/0f21311c2ebb0df4bf9b493a8034997c-0280012025/impacts-of-the-conflict-in-the-middle-east-on-the-palestinian-economy-april-2025>. The assessment understates the severity of the crisis since it assumes that real GDP per capita reached bottom in 2024 and that recovery will begin in 2026, yet, as at mid-2025, the economic decline continued in all Palestinian regions and whether recovery would begin in 2026 remained uncertain.

⁴ See <https://www.unescwa.org/publications/war-gaza-expected-socioeconomic-impact-palestine>.

⁵ A/79/343.

Table 1
Economy of the Occupied Palestinian Territory: Key indicators

	1995	1999	2002	2006	2014	2019	2020	2022	2023*	2024*
Macroeconomic performance^a										
Real GDP growth (percentage)	7.1	8.3	-12.5	-1.0	-0.2	1.4	-11.3	4.1	-4.6	-26.6
GDP, nominal (millions of dollars)	3 283	4 271	3 556	5 348	13 990	17 059	15 532	19 166	17 848	13 711
Gross national income (millions of dollars)	3 723	5 025	3 775	5 771	15 472	19 717	18 107	23 693	21 523	14 621
Gross national disposable income (millions of dollars)	4 122	5 398	4 826	7 062	17 138	21 726	19 941	25 855	23 386	16 191
GDP per capita, nominal (dollars)	1 427	1 553	1 182	1 578	3 357	3 641	3 234	3 800	3 459	2 610
Gross national income per capita, nominal (dollars)	1 618	1 827	1 255	1 703	3 713	4 208	3 770	4 698	4 171	2 783
Real GDP per capita growth (percentage)	-0.2	4.8	-15.0	-4.0	-2.5	-1.2	-13.5	1.6	-6.7	-27.8
Real gross national income per capita growth (percentage)	0.7	4.6	-16.4	-2.7	-1.2	-0.9	-15.1	3.9	-8.7	-34.6
Population and labour										
Population (millions) ^b	2.34	2.96	3.23	3.61	4.55	4.98	5.10	5.40	5.55	5.60
Unemployment (percentage) ^c	18.2	12.0	31.2	23.7	26.9	33.0	36.0	24.0	45.0	0.0
Total employment (thousands)	417	588	452	636	913	1 010	956	1 133	775	..
In public sector	51	103	105	147	209	210	201	203
In Israel and settlements	68	135	42	55	107	133	125	193	25	..
Fiscal balance (percentage of GDP)										
Revenue, net, of arrears/clearance withheld	13.0	23.4	8.2	25.0	20.1	20.3	22.1	26.2	27.1	28.7
Current expenditure	15.0	22.1	28.0	42.6	29.6	25.6	30.8	27.6	28.0	36.3
Total expenditure	25.1	29.3	34.2	48.3	31.5	27.6	32.6	29.1	30.1	38.2
Overall balance (commitment basis)	-12.1	-5.9	-26.0	-23.3	-11.4	-7.3	-10.5	-2.9	-3.0	-9.5
Public debt ^d	..	20.0	21.1	20.4	15.8	16.4	23.5	18.5	21.2	30.7
External trade										
Net current transfers (millions of dollars)	400	373	1 051	1 291	1 405	1 545	1 141	1 786	1 575	1 199
Exports of goods and services (millions of dollars)	562	752	478	1 046	2 320	2 631	2 336	2 903	2 729	2 426
Imports of goods and services (millions of dollars)	2 441	3 364	2 234	5 263	6 929	8 376	7 189	9 886	9 516	6 556
Trade balance (millions of dollars)	-1 879	-2 612	-1 756	-4 218	-4 610	-5 746	-4 853	-6 982	-6 788	-4 130
Trade balance (percentage of GDP)	-57.2	-61.2	-49.4	-78.9	-33.0	-36.3	-34.6	-44.7	-45.5	-37.7
Trade balance with Israel (millions of dollars)	-922	-1 598	-886	-1 887	-2 869	-3 788	-3 373	-5 124	-4 222	-3 285
Trade balance with Israel (percentage of GDP)	-28.1	-37.4	-24.9	-35.3	-20.5	-22.2	-21.7	-26.7	-23.7	-24.0
Israel share of Palestinian trade (percentage) ^e	83.5	67.5	56.9	46.3	63.0	63.9	66.8	74.1	67.7	72.9
Share of Palestine in Israel total trade (percentage) ^e	4.2	3.8	1.9	2.3	3.1	3.4	3.2	3.3	3.0	2.1

Sources: Palestinian Ministry of Finance and Planning, Palestinian Monetary Authority and PCBS. The source of data on trade with Israel is the Central Bureau of Statistics of Israel.

* Preliminary estimates.

^a In 2019, PCBS revised national accounts data from 2004 onwards.

^b Except for population figures, all data exclude East Jerusalem, due to the fact that PCBS has no access to the city.

^c In 2019, PCBS began to apply the guidelines of the nineteenth International Conference of Labour Statisticians. The stability of the unemployment rate in the last few years reflects weak labour market participation.

^d Includes domestic and external debt but not arrears or government debt to the pension fund.

^e Israeli and Palestinian trade data refer to goods and non-factor and factor services.

Table 2
Economy of the Occupied Palestinian Territory: Selected indicators

	2024	2023	2024/2023 (Percentage change)	2022	2024/2022 (Percentage change)
Real GDP					
(Millions of constant 2015 dollars)					
West Bank	10 598	12 768	-17	12 922	-18
Gaza	362	2 155	-83	2 713	-87
Occupied Palestinian Territory	10 960	14 923	-27	15 635	-30
Real GDP per capita					
(Constant 2015 dollars)					
West Bank	3 528	4 344	-19	4 491	-21
Gaza	161	970	-83	1 253	-87
Occupied Palestinian Territory	2 087	2 892	-28	3 100	-33
Final consumption					
(Millions of constant 2015 dollars)					
West Bank	11 653	14 815	-21	14 940	-22
Gaza	625	3 044	-79	3 817	-84
Occupied Palestinian Territory	12 278	17 858	-31	18 757	-35
Net capital formation					
(Millions of constant 2015 dollars)					
West Bank	2 850	3 883	-27	3 911	-27
Gaza	2	192	-99	300	-99
Occupied Palestinian Territory	2 851	4 075	-30	4 211	-32
Exports of goods and services					
(Millions of constant 2015 dollars)					
West Bank	2 426	2 605	-7	2 727	-11
Gaza	0	124	-100	176	-100
Occupied Palestinian Territory	2 426	2 729	-11	2 903	-16
Imports of goods and services					
(Millions of constant 2015 dollars)					
West Bank	6 285	8 296	-24	8 384	-25
Gaza	270	1 220	-78	1 502	-82
Occupied Palestinian Territory	6 556	9 516	-31	9 886	-34
Consumer price index					
West Bank	165	160	3	154	7
Gaza	523	155	238	140	274
Occupied Palestinian Territory	246	160	54	151	63

Source: UNCTAD secretariat calculations, based on PCBS quarterly national accounts and consumer price index.

12. Nearly all businesses in the West Bank have reported adverse effects from the military operations due to supply chain disruptions and increasing transportation costs. For example, in Jenin, about 8,000 businesses have been forced to close due to security deterioration, the destruction of roads and collapsing demand. Farmers have reported substantial losses and livestock owners have been cut off from pastures, resulting in animal

deaths; 74 per cent of surveyed farmers have reported an average decline in revenue of 50 per cent.⁶

13. In the West Bank, businesses have coped through cost-cutting measures, workforce downsizing and underemployment revenue, with a decrease from 25 to 17 working days per month.⁷ Other measures have included shutting down production lines, selling productive assets, reducing paid-leave benefits, suspending pre-October 2023 long-term projects and cancelling pre-crisis supply orders. Private sector losses had reached \$1.3 billion by end-2024.⁸ Women entrepreneurs have been disproportionately affected; 58 per cent reported operational declines, 62 per cent were forced to downsize workforces and 18 per cent resorted to underemployment.⁹

14. The cost of living has risen across the Occupied Palestinian Territory, with the consumer price index rising by 54 per cent in 2024, escalating a scarcity and affordability crisis. Food and beverage prices rose by 59 per cent; transport costs, by 32 per cent; and housing, water, electricity, gas and other fuel costs, by 24 per cent.

15. Inflationary pressures in the West Bank were tempered by a fall in aggregate demand driven by shrinking incomes, limiting price increases to only 2.5 per cent, despite significant cost increases and supply chain disruptions.

16. In Gaza, restrictions on the entry of humanitarian and commercial goods triggered a surge in inflation of 238 per cent. This came as the number of truckloads allowed into Gaza dropped by two thirds in 7 October 2023–18 January 2025. Food and beverage prices soared by 225 per cent, transport costs more than tripled and housing and related expenses, including for water, electricity and gas, nearly doubled.¹⁰

17. The military operations have worsened a pre-existing unemployment crisis. By October 2024, half of all Palestinians seeking work were unemployed, an increase from 24 per cent in 2022. In Gaza, unemployment soared to 80 per cent and in the West Bank, the rate rose to 35 per cent. With unemployment and rising prices, poverty reached unprecedented levels, pushing the entire population of Gaza below the poverty line.¹¹

18. In 2024, the ban by Israel on Palestinian workers entering workplaces in Israel and settlements eradicated 84 per cent of incomes earned there compared with in 2022. Declining incomes led to a drop in imports of goods and services by 34 per cent; exports fell by 16 per cent. Consequently, in 2024, the trade deficit narrowed to \$4.13 billion, compared with \$6.98 billion in 2022, as the overall trade volume in the Occupied Palestinian Territory dropped by 30 per cent in 2024 compared with in 2022. However, a reduction in the trade deficit caused by a decline in imports of essential inputs and consumer goods, for which there are no domestic substitutes, should not be mistaken for a healthy adjustment in the balance of payments or a broader improvement in macroeconomic performance.

19. Israel, as the occupying Power, controls Palestinian trade borders and restricts Palestinian markets. Trade with Israel constitutes 73 per cent of total Palestinian trade. By imposing restrictions that inflate trade costs, Israel restricts Palestinian importers' access to regional and international markets. Even when cheaper alternatives exist, inflated trade costs force the Occupied Palestinian Territory into dependency on Israel for imports, effectively making it a captured market.

⁶ Palestine Economic Policy Research Institute-MAS, 2025, Palestine economic update, available at <https://mas.ps/en/publications/12556.html>; see <https://www.un.org/unispal/document/world-bank-report-26sep24/>.

⁷ See <https://www.ilo.org/publications/impact-war-gaza-private-sector-workers-and-businesses-west-bank>.

⁸ World Bank, 2025.

⁹ Ibid.

¹⁰ See <https://www.ilo.org/resource/conference-paper/ilc/113/situation-workers-occupied-arab-territories>.

¹¹ See <https://www.ilo.org/publications/year-war-gaza-impacts-employment-and-livelihoods-west-bank-and-gaza-strip>.

B. The worst fiscal crisis to date

20. Over 25 years since its expected expiry in 1999, the Paris Protocol continues to define the revenue clearance mechanism, whereby Israel collects taxes on all Palestinian imports and transfers the revenue to the Palestinian Government on a monthly basis. This arrangement leaves over two thirds of Palestinian fiscal revenue under the control of Israel, which can, and often does, suspend transfers and apply unilateral deductions.¹²

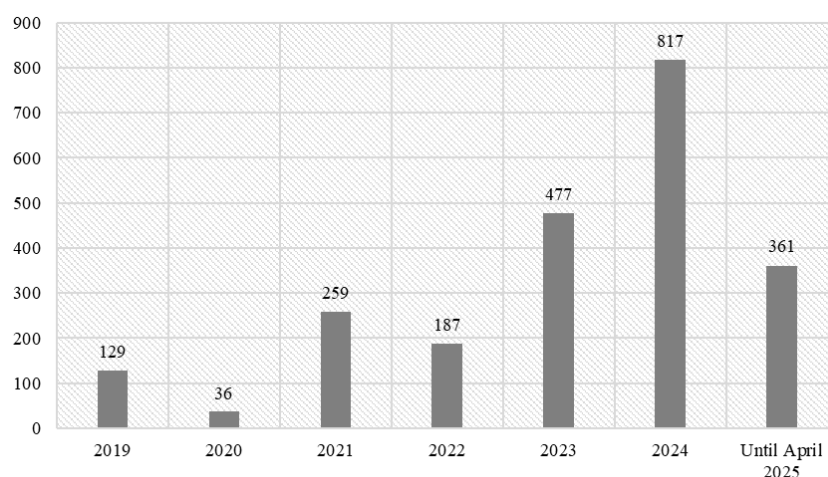
21. The chronic fiscal crisis has worsened since October 2023, marking 2024 as the worst fiscal year in the history of the Palestinian Government. This deterioration is driven by increased unilateral deductions by Israel and the withholding of Palestinian revenue, coupled with lower fiscal revenue as GDP has contracted. The crisis is further aggravated by insufficient levels of foreign aid, despite an increase in 2024.

22. Since 2019, Israel has been unilaterally deducting from clearance revenue amounts equivalent to payments made by the Palestinian Government to families of Palestinian prisoners killed in attacks or alleged attacks against Israel.¹³ According to the Palestinian Government, these deductions amounted to \$977 million in January 2019–April 2025. Since October 2023, Israel has withheld additional amounts, approximately \$75 million per month, equivalent to the payments made by the Palestinian Government to civil servants in Gaza.¹⁴

Figure 4

Annual unilateral deductions and withholding by Israel

(Millions of dollars)



Source: Palestinian Ministry of Finance and Planning.

23. In January 2019–April 2025, cumulative deductions and withheld amounts surpassed \$1.76 billion, equivalent to 12.8 per cent of GDP in 2024 and 44 per cent of total Palestinian net revenues.

24. Over the past decade, the Palestinian Government has made significant progress on fiscal reform and in 2008–2023, successfully reduced the budget deficit from 26.1 to 3 per cent of GDP. This achievement is noteworthy given the uniquely unfavourable environment, marked by recurring political, economic and humanitarian crises. However, progress is threatened by declining economic activity, shrinking revenues, long-term declines in aid and the unilateral deductions and withholdings of Palestinian funds by Israel.

¹² TD/B/71/3.

¹³ Ibid.

¹⁴ Ibid.

1. The fiscal shock constrains aggregate demand

25. In 2024, the total deficit on a commitment basis rose to \$1.3 billion (9.5 per cent of GDP), an increase of 147 per cent from the amount of \$528 million (3 per cent of GDP) in 2023. The increasing deficit was primarily driven by a decline of 19 per cent in total net revenues, mainly due to a contraction in GDP by 27 per cent. Total expenditure remained flat, at \$5.23 billion, but the Government reduced development spending.

26. All components of Palestinian revenue declined. In 2024, domestic revenues (about one third of the total), fell by 20 per cent and clearance revenues (two thirds of the total) fell by 17.8 per cent, as deductions and withholdings by Israel increased.

27. In 2024, foreign aid more than doubled, to \$810.7 million, yet the amount remained well below the peak of \$1.98 billion in 2008 and was insufficient to address the increasing needs exacerbated by conflicts. Budget support dominated the total, at \$680.4 million, while development financing declined by 14.6 per cent year-on-year, to \$130.3 million.

28. Persistent fiscal shortfalls forced the Palestinian Government to greater reliance on domestic borrowing and arrears accumulation, in payments owed to the pension fund, civil servants and the private sector. Since end-2021, the Government has been paying partial salaries to civil servants and, since October 2023, has further reduced payments to 60–70 per cent of commitments.¹⁵ Partial salaries and spending cuts constrained GDP growth from the demand side, further exacerbating the post-October 2023 supply shock.

29. By end-2024, public debt had increased by 11.2 per cent, to \$4.2 billion, as domestic debt increased to \$2.88 billion. The Government also accumulated an additional \$1.38 billion in arrears, pushing their total stock to \$4.25 billion.

30. The crisis forced the Palestinian Government to increasingly fund health care through unsustainable accumulations of arrears. Half of all health-care spending in 2022–2024 was financed primarily by delaying payments to private suppliers and non-governmental organizations. By end-2024, these arrears reached \$770 million, posing risks to both fiscal sustainability and the continuity of essential health-care services.

31. Fiscal pressures persisted into 2025, threatening macroeconomic stability and the ability of the Government to sustain core functions and deliver essential public goods. The crisis pushed fiscal policymaking to a short-term, month-to-month cycle.

2. Banks are under mounting pressure

32. The disruption of the real economy raises the risk of spillover to the financial sector through widespread operational disruptions and dwindling profitability, accumulating losses, a surge in non-performing loans, uncertain correspondent banking relations with Israel and greater banking exposure to the Government.

33. As banking profitability has weakened, direct and indirect exposure to the public sector has risen to the highest level in years. In 2024, public sector credit rose by 16 per cent, as the Government was forced to increase reliance on borrowing, pushing domestic public debt to above \$2.8 billion and crowding out lending to the private sector, which contracted by 4 per cent. Loans to public employees drove the combined direct and indirect exposure of the banking sector to the Government to \$4.7 billion, equivalent to 40 per cent of total credit. This growing concentration of risk elevates systemic fragility, leaving the economy increasingly vulnerable to fiscal shocks and potential shortfalls in international aid.¹⁶

34. The converging crises in Gaza have been exacerbated by a breakdown in the payments system marked by the suspension by Israel of cash transfers to Gaza since October 2023 and the near-total destruction of banking infrastructure; in 2024, only 2 of 94 automated teller machines in Gaza were partially functional.¹⁷ Inflation has worsened the

¹⁵ World Bank, 2025.

¹⁶ Ibid.

¹⁷ See <https://palestine.un.org/en/289429-gaza-and-west-bank-interim-rapid-damage-and-needs-assessment-february-2025>.

severity of the cash shortage, as common or standard transactions now require more physical currency.¹⁸

35. By April 2025, 98 per cent of banks in Gaza had ceased operations. The widespread destruction of banking infrastructure triggered a liquidity crisis, disrupting trade, stalling aid delivery and severing critical remittance flows.¹⁹ This has devastated both consumers and businesses, and the emergence of exorbitant broker fees on cash transfers has tightened the squeeze on household budgets and further eroded already diminished purchasing power.

36. Given the reliance of the Palestinian economy on the new shekel as the primary currency, stable financial relations with Israel are essential. Financial flows are processed through the Bank of Israel and private Israeli banks, facilitated by Government of Israel-issued “letters of indemnity and immunity”, time-limited protections that shield Israeli banks from legal risks related to money-laundering and terrorism-financing. However, this arrangement leaves Palestinians in a state of uncertainty, vulnerable to sudden disruptions, particularly if the Government of Israel decides to not renew the letters. Israel regularly renews correspondent banking relationships, yet the risk of sudden financial disruption remains high, given the political volatility.

37. The current financial arrangement denies Palestinian banks direct, independent access to the global financial system, compelling them to route international transactions, including trade finance, cross-border payments and remittances, through Israeli correspondent banks. This perpetuates Palestinian economic dependency, exacerbating vulnerability across the monetary, fiscal and trade and labour-related domains.

38. Restrictions on the repatriation of cash from Palestinian banks to Israeli counterparts have compelled the former to hold excessive reserves of new shekels, leading to costly liquidity management complications. Consequently, Palestinian banks find it increasingly difficult to accept new shekel deposits. This deadlock not only imposes significant operational, security-related and opportunity costs but also weakens the ability of Palestinian banks to process cross-border transactions, including vital trade financing.²⁰

C. Movement restrictions and fragmentation

39. Throughout the West Bank, Israel, as the occupying Power, deploys a system of administrative and physical impediments that control the movements of the Palestinian people and limit access to their productive resources. As at February 2025, 849 movement restrictions, including checkpoints, road gates, earth mounds and trenches, continued to restrict the movement of 3.3 million Palestinians across the West Bank. The most significant of these remains the 712-km wall constructed by Israel in the Occupied Palestinian Territory. These structures fragment Palestinian land and society, limiting freedom of movement and impeding access to work and essential services, including health care and education.²¹ The wall extends over twice the length of the internationally recognized Green Line (corresponding to the June 1967 border).

40. The barriers routinely force Palestinians to take lengthy detours at higher costs. In some areas, detours quadruple travel time, with low-income households disproportionately affected by the lack of means to absorb additional costs. Since October 2023, the long-standing movement restrictions have intensified in scope and severity. This has disrupted key commercial routes and isolated towns and villages, forcing Palestinians to rely on informal, often hazardous, alternate paths at higher costs. For example, since 7 October 2023, average trip durations through key checkpoints near Nablus have increased by 78 per cent, due to rerouted travel and extended wait times.²²

¹⁸ World Bank, 2025.

¹⁹ Ibid.

²⁰ Ibid.

²¹ See <https://www.ochaopt.org/content/movement-and-access-update-west-bank-may-2025>.

²² MAS, 2025.

41. Since October 2023, violence by Israeli settlers against Palestinians has escalated significantly, reaching record levels. In 7 October 2023–31 July 2025, 2,802 settler attacks causing Palestinian casualties or property damage were documented, including 1,449 documented attacks in 2024. Overall, in the West Bank, in October 2023–July 2025, 9,594 Palestinians were injured and 979 killed. In the same period, 35 Israelis, including 4 children, were killed in the occupied West Bank in attacks by Palestinians.²³

42. Compounding the crisis, in 1 January 2024–31 July 2025, the highest level of demolitions of Palestinian civilian structures was recorded. Israel, as the occupying Power, demolished or destroyed 2,844 Palestinian homes and structures across the West Bank. As a result, 39,847 Palestinians were forcibly displaced.²⁴

43. Settlement expansion has accelerated alongside escalating violence. By October 2024, 147 Israeli settlements and 224 outposts existed in the West Bank, housing 503,732 settlers and, combined with 233,600 settlers in East Jerusalem, the total reached 737,332.²⁵ A record 119 new outposts were established across the West Bank in 2024–2025.²⁶ These outposts start as communities built without official Israeli authorization, which makes them illegal under Israeli law. The Israeli Government frequently retroactively regularizes these outposts, often by attaching them to existing settlements. However, status change under Israeli domestic law does not alter their unlawful status under international law.

II. Gaza in ruins

A. A total catastrophe

44. The military operations and restrictions have triggered an unprecedented humanitarian crisis in Gaza. As at 15 August 2025, famine (phase 5 of the Integrated Food Security Phase Classification), with reasonable evidence, was confirmed in Gaza. After 22 months of conflict, over 0.5 million people in Gaza face catastrophic conditions and “another 1.07 million people (54 per cent) are in emergency (phase 4) and 396,000 people (20 per cent) are in crisis (phase 3)”. By end-September 2025, conditions were expected to further worsen.²⁷

45. As at 3 September 2025, over 161,245 Palestinians had been injured and over 63,746 killed, including over 18,400 children. At least 531 aid workers and 1,590 health workers have been killed, alongside 247 journalists. Over 1 million children are in urgent need of mental health and psychosocial support.²⁸

46. Infrastructure across Gaza has collapsed. Approximately 92 per cent of housing units have been damaged or destroyed, leaving around 1.4 million people each in urgent need of shelter and of household items. Health services are collapsing, with only 50 per cent of hospitals and 40 per cent of primary health centres functional.²⁹ Hospitals face significant shortages of supplies, health workers and fuel, with services further disrupted by recurring evacuation orders and direct targeting.

47. Women and girls experience unique, gender-specific threats to health, hygiene, privacy, safety and dignity. Women bear greater responsibility for providing care for children, the elderly and injured. The situation continues to deteriorate with no foreseeable end to the suffering.³⁰ A generation now bears the burden of lifelong physical scars and

²³ See <https://www.ochaopt.org/content/west-bank-monthly-snapshot-casualties-property-damage-and-displacement-july-2025>.

²⁴ Ibid.

²⁵ A/HRC/58/73.

²⁶ See <https://peacenow.org.il/en/settlements-watch/settlements-data/population>.

²⁷ See <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1159696/?iso3=PSE>.

²⁸ See <https://www.ochaopt.org/content/reported-impact-snapshot-gaza-strip-3-september-2025>.

²⁹ Ibid.

³⁰ See <https://palestine.unwomen.org/en/digital-library/publications/2025/04/gender-matters-bulletin-no-relief-in-sight-the-impact-of-escalating-hostilities-repeated-displacement-orders-and-the-ongoing-aid-blockade-on-women-girls-men-and-boys-in-gaza>.

psychological trauma, including widespread anxiety, depression and post-traumatic stress disorder.

48. The education system has similarly collapsed; over 658,000 children and 87,000 university students do not have access to schools and over 88 per cent of schools require full reconstruction.³¹

49. Agricultural systems have been obliterated; 83 per cent of water wells, 86 per cent of cropland and 71 per cent of greenhouses are damaged and only 1.5 per cent of farmland is usable. The fishing industry is similarly ravaged, with 72 per cent of the fleet destroyed. Water and sanitation infrastructure has also collapsed, with 96 per cent of households experiencing water insecurity and 89 per cent of water, sanitation and hygiene assets damaged or destroyed.³²

50. In future, the agricultural sector will face old and new challenges, including soil contamination and degradation, water scarcity and environmental decline, as well as debilitated infrastructure, limited land supply, destroyed irrigation systems, disrupted markets and the erosion of knowledge and skills related to traditional farming, fishing and other livelihoods. Traditional livelihoods such as fishing and agriculture have been wiped out by attacks and access restrictions, leaving the sectors operating at a fraction of the suboptimal pre-crisis capacity. The long-term consequences are dire, with malnutrition stunting children's physical and cognitive development, while the destruction of health care and educational systems risks permanently harming an entire generation.

51. Access to humanitarian aid remains significantly restricted. Over 82 per cent of Gaza is within militarized or displacement zones, and the coordination of humanitarian missions is routinely obstructed, delayed or denied by Israel. The scale and intensity of destruction, compounded by logistical and security concerns, have made delivering aid a monumental, often dangerous task. The crisis in Gaza is characterized by the collision of hunger, epidemic disease, economic ruin and societal fragmentation.

B. From de-development to devastation

52. Since the early 1990s, Israel has imposed restrictions on the movement of goods and people into and out of Gaza. The restrictions have been intensified since the 2007 takeover of Gaza by Hamas. For 17 years, 2.3 million Palestinian people have been confined to a small, 365 km² enclave with one of the highest population densities in the world. Entry of goods has been reduced to basic needs and humanitarian relief. In addition, during this period, Gaza has endured numerous extensive military operations. The hollowing out of the economy has cultivated a dependency on external aid, as a cycle of destruction and insufficient reconstruction has been set in motion.

53. In Gaza in 2007–2022, GDP grew by a mere 1.1 per cent, while the population grew by 61 per cent and real GDP per capita shrank by 37 per cent, from \$1,994 in 2006 to \$1,253 in 2022. The share of Gaza in the Palestinian economy contracted from 31 to 17.4 per cent, as growth performance trailed the economy of the occupied West Bank, which also operated at well below potential.

54. In Gaza, in the absence of the blockade and military operations, by end-2023, GDP would have been, on average, 77.6 per cent higher than its actual level. This implies a conservatively estimated cumulative loss of \$35.8 billion (in constant 2015 dollars) of unrealized GDP potential in 2007–2023, equivalent to 17 times the Gaza GDP in 2023.³³

³¹ See <https://www.ochaopt.org/content/reported-impact-snapshot-gaza-strip-3-september-2025>.

³² Ibid.

³³ A/79/343.

C. Immediate impacts

55. The post-October 2023 military operations have destroyed the economic foundations of Gaza and propelled it from de-development to utter ruin. The far-reaching repercussions will linger for years, and it may take decades to return Gaza to the status quo ante.

56. In 2024, GDP contracted by 83 per cent compared with in 2023, following an already significant decline in 2023. Cumulatively, over 2023 and 2024, GDP shrank by 87 per cent, dropping to \$362 million.

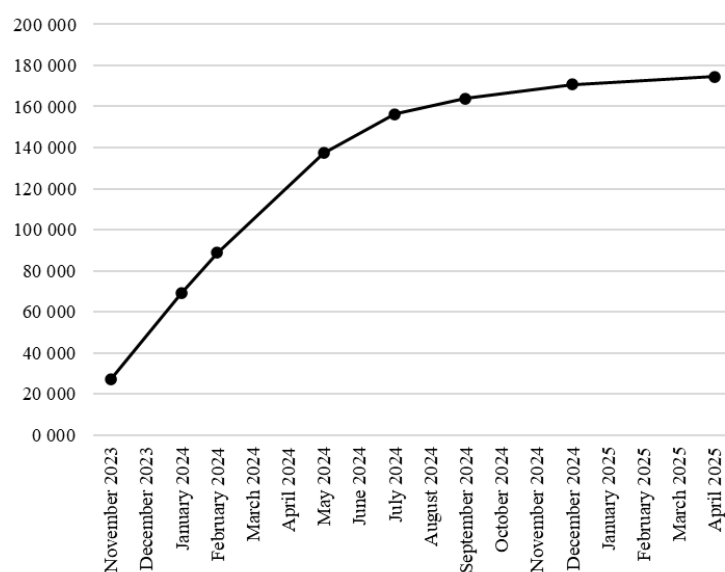
57. GDP per capita fell to \$161, among the lowest in the world, and at 4.6 per cent of the West Bank GDP per capita, marking a significant deterioration from near parity in 1994. The share of Gaza fell from 17.4 per cent of Palestinian GDP in 2022 to 3.3 per cent in 2024, yet its share of the population is 40 per cent. This is a steep decline from the share of 37.6 per cent in 1994, at the outset of the Oslo Accords.

58. Data from United Nations Satellite Centre assessments show that by April 2025, 174,513 structures, or 70 per cent of the structures in Gaza, had been damaged (figure 5(a)). Analysis of damage trends in various assessments since November 2023 shows that 94 per cent of that damage had occurred by September 2024 (figure 5(b)). Subsequent military operations destroyed already damaged structures. The proportion of destroyed structures reached 40 per cent of the total by April 2025, an increase from the 32 per cent observed in September 2024 (figure 5(c)).

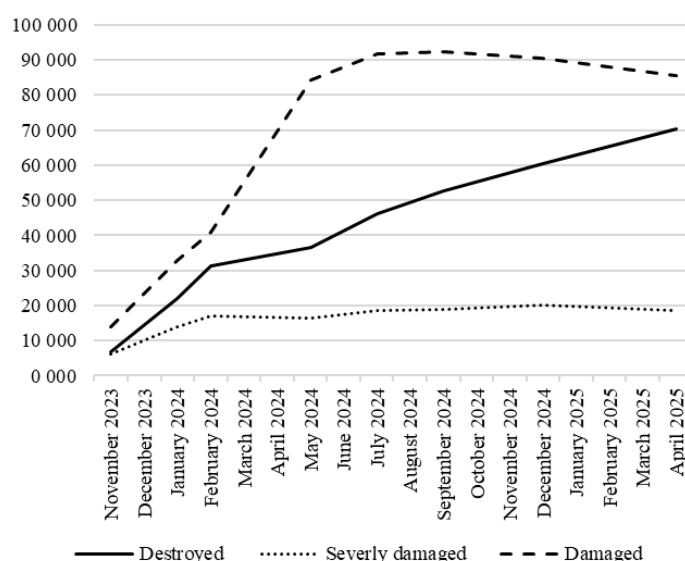
Figure 5

Gaza: United Nations Satellite Centre assessments

(a) Number of total damaged structures

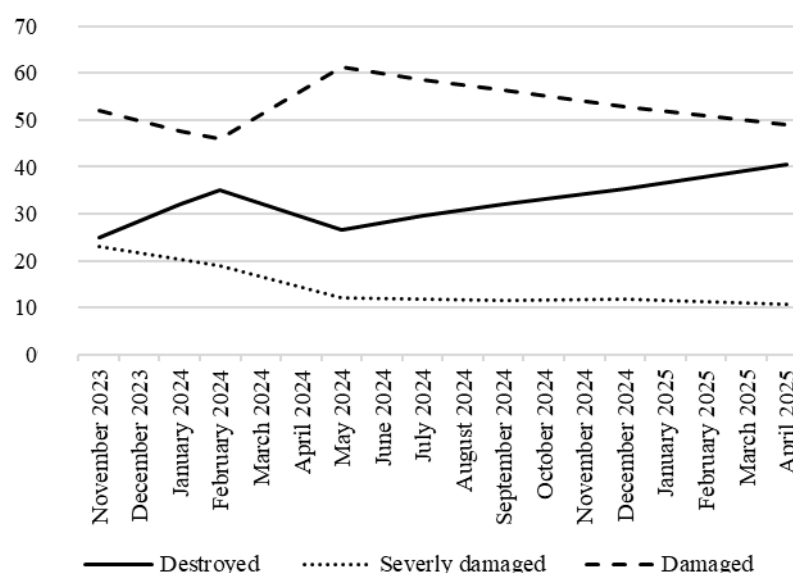


(b) Number of damaged structures by severity of damage



(c) Total damaged structures by severity of damage

(Percentage)



Source: UNCTAD secretariat calculations, based on United Nations Satellite Centre assessments.

59. Since January 2024, UNCTAD has been evaluating the impact of the military operations on economic activity using an innovative methodology that integrates damage mapping and night-time luminosity data. To estimate the effect of damage on night-time luminosity, a difference-in-differences approach is used, comparing the average change in night-time luminosity in grid cells damaged by bombing with that in non-damaged cells. To ensure a robust analysis across different model specifications, the pre-October 2023 night-time luminosity baseline is derived from daily measurements taken in Gaza in 22 September–6 October 2023. Accordingly, the cumulative impact of bombing in 7 October 2023–20 May 2025 is estimated to have led to a decrease of 73 per cent in night-time luminosity, an indicator of reduced economic activity (figure 6). The analysis of quarterly night-time luminosity and GDP per capita in 2012–2023 (third quarter) shows an elasticity of 1.22; that is, a decrease of 1 per cent in night-time luminosity corresponds to a decrease of 1.22 per cent in GDP per capita. In this context, post-October 2023 decreases in night-time luminosity suggest a contraction of 89 per cent in GDP per capita.

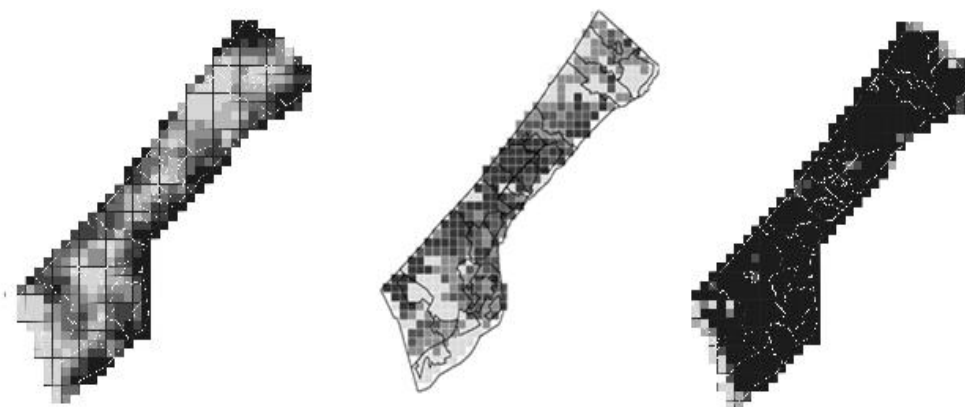
Figure 6

Gaza: Average night-time luminosity

(a) 22 September–6 October 2023

(b) 20–21 May 2024

(c) 22–23 May 2025



Source: UNCTAD secretariat calculations, based on PCBS data and data from National Aeronautics and Space Administration, 2025, Land cover characteristics VNP46A1, available at <https://landsweb.modaps.eosdis.nasa.gov/search/order/1/VNP46A1--5200>.

Notes: Grids of 1 km²; brighter grids indicate more light emanated.

D. On the brink: The survival of Gaza hangs in the balance

60. The devastation has inflicted deep wounds on human capital. Lives lost, physical injuries, mass displacement and widespread psychological trauma leave lasting scars. Education has been particularly devastated; the school system in Gaza has entirely collapsed, with nearly all educational facilities damaged or destroyed since October 2023. As of June 2025, students had been deprived of formal schooling for over 21 months. In the West Bank, violence, movement restrictions and financial strains have disrupted learning, with frequent school closures, reducing in-person instruction in many areas to two days per week. Teachers and staff, already receiving partial salaries since 2021, face significant challenges in delivering education. An entire generation's lost learning will reduce future earnings and enhance societal fragility. Without urgent intervention, the toll on both present and future generations will only grow heavier. By end-2024, the private sector in Gaza had experienced an estimated \$5.9 billion in physical damage, with two thirds of businesses eradicated and 22 per cent incurring partial damages.³⁴ Without a functional economy, the dependence of Gaza on limited aid is absolute, yet even this lifeline is obstructed by violence. The military operations have significantly undermined every pillar of survival, namely, food, shelter and health care, as well as governance, and plunged Gaza into a human-made abyss, without a respite in sight. The sustained, systematic destruction casts significant doubt on the ability of Gaza to reconstitute itself as a liveable space and society.

61. A joint interim assessment by the European Union, the United Nations and the World Bank estimates that for Gaza alone, recovery and reconstruction needs amount to \$53.2 billion, over four times Palestinian GDP.³⁵ In Gaza, by October 2024, the physical infrastructure damage was estimated at \$29.9 billion. The housing sector was the most affected, followed by commerce and industry, transport and water, sanitation and hygiene. Economic and social losses were estimated at \$19.1 billion and the most affected sectors were health, education, commerce and industry, social protection and agriculture and food systems.³⁶ Yet as the hostilities continued into the second half of 2025, the human and economic toll, along with recovery and reconstruction needs, grew far greater.

³⁴ World Bank, 2025.

³⁵ See <https://palestine.un.org/en/289429-gaza-and-west-bank-interim-rapid-damage-and-needs-assessment-february-2025>.

³⁶ Ibid.

62. The possibility and speed of recovery in Gaza depend on the intensity and duration of the military operations and restrictions and on the scope and pace of reconstruction, all of which remain unknown. In an optimistic scenario of double-digit growth rates facilitated by a significant level of foreign aid, it will take several decades for Gaza to return to pre-October 2023 welfare levels. However, it is imperative to note that the return of GDP per capita to pre-October 2023 levels would not mean the restoration of overall well-being, because the recovery of GDP and GDP per capita does not account for the cost of replacing damaged assets and the long-term effects of psychosocial trauma.

63. The international community should act to ensure a permanent ceasefire immediately and, once recovery commences, prioritize life-saving interventions, including access to essential health care, both physical and mental, clean water and the restoration of basic infrastructure. Urgent measures are needed to provide income support and employment opportunities and to safeguard vulnerable small and medium-sized enterprises.

64. The proposal for a universal emergency basic income in Gaza has gained greater relevance and urgency as the entire population faces extreme, multidimensional impoverishment.³⁷ This initiative would involve a renewable, unconditional cash transfer programme, as part of a broader humanitarian and recovery package, to be implemented with international support.³⁸ The programme would provide for a monthly payment sufficient to cover essential needs, ensuring basic subsistence for all residents, and should include a supplemental need-based allowance for the most vulnerable groups, such as persons with disabilities, to help address their particular circumstances.

III. UNCTAD assistance to the Palestinian people

A. Framework and objectives

65. For four decades, UNCTAD has been supporting the Palestinian people through policy-oriented research, the implementation of capacity-building and technical cooperation projects, the provision of advisory services and the promotion of international consensus on the needs of the Palestinian people and their economy.

66. The UNCTAD programme of assistance to the Palestinian people responds to paragraph 127 (bb) of the Bridgetown Covenant, which requests UNCTAD to “continue to assess the economic development prospects of the Occupied Palestinian Territory and examine economic costs of the occupation and obstacles to trade and development... with a view to alleviating the adverse economic and social conditions imposed on the Palestinian people”. The United Nations General Assembly, in successive resolutions (69/20, 70/12, 71/20, 72/13, 73/18, 74/10, 75/20 and 77/22), requested UNCTAD to continue to report to the General Assembly on economic development in the Occupied Palestinian Territory, including East Jerusalem, and the economic costs of the Israeli occupation for the Palestinian people.

67. The UNCTAD programme aims to build and strengthen the institutional capacities of the Palestinian public and private sectors, addressing constraints and identifying emerging needs through the following four clusters:

- (a) Trade and macroeconomic policies and development strategies;
- (b) Trade facilitation and logistics;
- (c) Finance and development;
- (d) Enterprise, investment and competition policy.

³⁷ A/79/343.

³⁸ Ibid.

B. Operational activities under way

68. In response to the above-mentioned resolutions, in 2024, UNCTAD submitted a report to the General Assembly titled “Economic costs of the Israeli occupation for the Palestinian people: The economic impact of the Israeli military operation in Gaza from October 2023 to May 2024”. The report quantitatively assessed the economic cost of the Israeli restrictions and military operation in Gaza during the period.³⁹

69. In January 2024, UNCTAD issued *Preliminary Assessment of the Economic Impact of the Destruction in Gaza and Prospects for Economic Recovery*. The report detailed the extensive damage inflicted on Gaza and proposed recommendations to the international community for economic recovery, to underpin sustainable peace.⁴⁰

70. In December 2024, UNCTAD issued *Occupation, Fragmentation and Poverty in the West Bank*, considering the welfare cost of the occupation and fragmentation of the West Bank.⁴¹

71. In 2024 and 2025, UNCTAD provided advisory services to MAS on advanced methodologies for measuring the economic impact of economic shocks and policy scenarios.

C. Coordination, resource mobilization and recommendations

72. In 2024 and 2025, UNCTAD engaged with senior officials from various Palestinian ministries to discuss the Government’s fiscal position, assess lessons learned from past technical cooperation activities and explore future needs and potential support.

73. Despite adverse and increasingly difficult field conditions, UNCTAD continues to support the Palestinian people in coordination with Governments, international organizations, the United Nations country team and other stakeholders, including civil society, providing research, policy analysis and policy recommendations, with a view to helping alleviate the adverse economic and social conditions and pursue the achievement of the Sustainable Development Goals.

74. Adverse political and field conditions hindered the ability of UNCTAD to strengthen technical assistance for the Palestinian people and other stakeholders, including civil society and the private sector. Once conditions improve, member States are encouraged to provide extrabudgetary resources to enable UNCTAD to leverage its expertise in rebuilding the Palestinian economy.

³⁹ Ibid.

⁴⁰ See <https://unctad.org/publication/preliminary-assessment-economic-impact-destruction-gaza-and-prospects-economic-recovery>

⁴¹ See <https://unctad.org/publication/occupation-fragmentation-and-poverty-west-bank>.