The Palestinian Central Bureau of Statistics (PCBS) and Palestine Monetary Authority (PMA)

Press Release
The Performance of the Palestinian Economy for 2025, and Economic Forecasts for 2026

The Palestinian Central Bureau of Statistics (PCBS) and Palestine Monetary Authority (PMA) jointly issued a press release on the performance of the Palestinian economy for 2025 along with the economic forecasts for 2026; a joint publication that represents the continuous efforts of the two institutions. It is worth mentioning that this data (at constant prices) excludes those parts of Jerusalem which were annexed by the Israeli occupation in 1967.

The Performance of the Palestinian Economy during 2025

The Palestinian economy remains deeply mired in recession during 2025.

Although the Palestinian economy recorded a statistical increase of 4% in 2025 compared to 2024, the GDP continues to show prolonged recession, where it declined by 24% compared to 2023. This decline reflects the scale of the cumulative damage inflicted on the economy since the start of the Israeli occupation aggression on the West Bank and Gaza Strip, which led to the deterioration of productive capacity and the persistence of bottlenecks in economic activities.

During 2025, GDP recorded a sharp decline in Gaza Strip, reaching 84% compared to 2023, while it declined by 13% in the West Bank during the same period. Even though GDP in the West Bank recorded a slight increase of 4.4% in 2025 compared to 2024, GDP in Gaza Strip continued to contract, where if further declined by 8.7% during the same period.

The growth rate recorded in 2025 is mainly attributed to a relative improvement in some productive sectors and the partial return of commercial activity compared to 2024. However, the level of GDP in Palestine remains far below its pre-Israeli aggression levels, confirming that the Palestinian economy has not yet regained its productive capacity and that the road to recovery remains fragile and constrained by the repercussions of the Israeli aggression and the ongoing restrictions.

A complete collapse of all economic activities in Gaza Strip during 2025 compared to 2023, along with a sharp decline in economic activities in the West Bank, despite their increase compared to 2024.

The Palestinian economy is considered a service economy, where 60% of the Palestinian economy is services, while the productive sectors that support economic growth constitute only about 19% of the total economy. This indicates that the Palestinian economy is changeable, and is significantly impacted by the challenges.

During 2025, most economic activities in Palestine declined compared to 2023, as the construction activity recorded the highest decline, reaching 41% (29% in the West Bank, and 99% in Gaza Strip) to reach USD 296 million, followed by the industrial activity with a decline of 25% (21% in the West Bank, and 94% in Gaza Strip) to reach USD 1,155 million, then the services activity declined by 25% (12% in the West Bank, and 82% in Gaza Strip) to reach USD 6,794 million, and agriculture activity with a decline of 18% (stable in the West Bank, and 92% in Gaza Strip) to reach USD 686 million.

In 2025, most economic activities showed marginal increases that do not indicate the beginning of recovery of the Palestinian economy's sectors compared to 2024. Most of economic activities remain about one-third below their pre-Israeli aggression levels.

A decline in the trade volume from and to Palestine in 2025 compared with 2023

The volume of trade exchange between Palestine and the outside world witnessed a 12% decline. The value of imports fell by 17%, totaling USD 7,881 million in 2025 compared to 2023. Additionally, Palestinian imports make up more than three times the value of Palestinian exports. However, the value of exports of goods and services from Palestine increased by 5%, reaching USD 2,856 million, where this rise is attributed to the fact that most Palestinian exports come from the West Bank, which recorded a relative increase during the same period. In a sense, this reflects a steady deficit in the Palestinian balance of trade. Exports and imports increased by 18% and 20% in 2025, respectively, compared to 2024, while they remain below their pre-Israeli-aggression levels. It is important to note that the largest share of trade exchange with the outside world in Gaza Strip was recorded in 2003, at 29% of total Palestinian trade. However, this percentage has since declined to less than 4% during Israeli occupation aggression, due to the near-total disruption of supply chains into and out of Gaza Strip. This disruption led to a health and food crisis, with basic commodities, medicines, health supplies, and food provided at minimal levels, not exceeding 4% of the necessary quantities required in the Gaza Strip.

The Unemployment Rates in Gaza Strip Exceed 77% in 2025

The Palestinian labor market continues to face difficult challenges in light of the ongoing economic and social impacts of the Israeli aggression on Gaza Strip. Despite the slight improvement in unemployment and labor force participation indicators during 2025, the figures still reflect a state of recession and a sharp disparity between the West Bank and Gaza Strip.

About half of the labor force in Palestine was disrupted, where the unemployment rate reached 46% in 2025 (28% in the West Bank and 78% in Gaza Strip). This reflects the high unemployment rates in the West Bank and Gaza Strip, despite the slight changes in these rates, where the total number of unemployed individuals reached more than 650 thousand.

Despite this difficult reality, labor force participation rate increased in 2025 to 43.7%, partly due to individuals attempts to engage in any form of work or seek alternative livelihood opportunities after the Israeli aggression. The participation rate reached 43% in the West Bank, while it reached 38% in Gaza Strip, where such percentages are below the pre-Israeli aggression levels recorded in 2023.

Poverty and Living Standards

Prior to the Israeli occupation's aggression against the Gaza Strip, poverty rates there exceeded 63%, with the poverty line in Palestine set at approximately NIS 2,717 and the extreme poverty line at about NIS 2,170. Recently, due to the ongoing Israeli aggression against the Gaza Strip, the concept of poverty has been surpassed, and we are now confronting different levels of famine and food insecurity. Consequently, total consumption has dropped in 2025 by 24% (12% in the West Bank and 81% in Gaza Strip) compared with 2023, reflecting a direct impact on the standard of living in Palestine. In other words, the majority of individuals in Gaza Strip are now suffering from severe levels of food insecurity.

Unprecedented Increase in Prices Levels

At the level of prices in Palestine during 2025, prices increased by about 11% compared to 2024, due to the sharp rise of prices in Gaza Strip of around 22%, despite their slight decline in the West Bank of about 0.13%. The near-total blockade on Gaza Strip continued, leading to a severe shortage of goods entering to Gaza Strip, in addition to the regional situation that affected Palestine.

“Prospects of the Palestinian Economy for 2026: A slight increase within a challenging economic reality”

The Palestinian Monetary Authority and the Palestinian Central Bureau of Statistics have issued two reports on the economic forecasts for 2026, which are available on their websites. The two reports address forecasts of the key macroeconomic indicators of the Palestinian economy during 2026, based on a set of factors and assumptions incorporated into the baseline scenario. The impacts of these factors are expected to be reflected in the performance of various sectors, particularly the real sector, the financial sector, and the external sector.

The baseline assumptions underlying the baseline scenario for 2026 indicate the continuation of the current economic and political conditions without any fundamental changes. This scenario assumes the persistence of strict restrictions on the movement of individuals and goods and on crossings, alongside continued limitations on economic activity in Gaza Strip due to the widespread destruction of the productive base. Economic activity is expected to remain confined to a narrow scope linked to humanitarian assistance and relief operations. This scenario also assumes that a large share of Palestinian workers will continue to be unable to access the labor market inside Israel, negatively affecting income levels and domestic demand.

At the level of public finance, the scenario assumes continued pressure on the Palestinian government’s public budget, in light of the irregular transfer of clearance revenues and the persistence of Israeli deductions, alongside a decline in domestic revenues due to weak economic activity. This scenario also assumes that levels of external grants and aid will remain at their current low levels. In the external sector, performance is expected to remain affected by Israeli restrictions and obstacles imposed on the movement of individuals and goods and on crossings.

In light of these assumptions, forecasts estimate that the Palestinian economy will record growth ranging between 4.1% and 4.5% in 2026. This growth reflects the continuation of the gradual recovery path that began after the sharp contraction recorded in 2024, without indicating a broad-based recovery or a genuine restoration of productive capacity. The growth is attributed mainly to a limited improvement in the components of aggregate demand, particularly final consumption, supported by the continued flow of humanitarian aid and private transfers, in addition to a partial positive contribution from investment spending.

Given that the environment in which the Palestinian economy operates entails a high degree of risk and uncertainty, these forecasts incorporate an analysis of potential risks with varying probabilities (an optimistic scenario and a pessimistic scenario). If these risks materialize, they are expected to have positive or negative repercussions on economic performance in the short term.

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