UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Technical and statistical report

The Cumulative Economic Cost of Occupation for the Palestinian People (2000–2024) and the Long Road to Recovery

Advance copy

United Nations
Geneva, 2026

United Nations Publications
405 East 42nd Street
New York, New York 10017
United States of America
Email: publications@un.org
Website: https://shop.un.org/

United Nations publication issued by the United Nations
Conference on Trade and Development

UNCTAD/GDS/APP/2026/1 (Advance copy)

ISBN: 978-92-1-159211-5
eISBN: 978-92-1-154816-7
Sales No. E.26.II.D.15

Note

This study was prepared by the UNCTAD secretariat to stimulate debate on the research topic.

The term "dollars" ($) refers to United States dollars.

Table of contents

Executive summary

This study examines the profound and multifaceted economic impact of several Israeli military operations and occupation policies on the Palestinian economy.

The recent military operations have triggered an unprecedented socioeconomic collapse. By 2024, the GDP (gross domestic product) of the Occupied Palestinian Territory fell to 70 per cent of its pre-crisis (2022) level, erasing 22 years of economic progress in 15 months. The recent 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. with its GDP in 2024 shrinking to just 13 per cent of its 2022 level. Unemployment soared to 80 per cent in Gaza and 35 per cent in the West Bank, pushing the entire population of Gaza below the poverty line.

In 2025, Gaza's economic activity showed no significant revival. Nighttime luminosity data, an indicator of economic activity, remained unchanged post-ceasefire. UNCTAD projects Gaza's 2025 real GDP to fall a further 13 per cent – compared to the previous year – to a mere 11 per cent of its 2022 level. While the West Bank shows modest growth from a very low base, overall Palestinian GDP per capita in 2025 remains 29.3 per cent below its 2022 value.

This study aims to quantify the long-term economic cost of occupation, restrictions, closures, and military operations: Between 2000 and 2024, the Palestinian economy lost an estimated $212.2 billion in potential GDP (constant 2015 dollars) — equivalent to 19.4 times its GDP of 2024.

The economic value extracted by Israeli settlements in occupied East Jerusalem and Area C of the West Bank, between 2000 and 2024, is conservatively estimated at $832.7 billion (constant 2015 dollars), equivalent to over $1 trillion in 2024 dollars. In 2024 alone, the settlement economy was valued at $53 billion — nearly five times the size of the entire Palestinian economy.

The path to sustainable development in the Occupied Palestinian Territory is obstructed by unprecedented destruction, and entrenched structural barriers. With over 80 per cent of structures in Gaza damaged or destroyed, the scale of destruction is immense. Recovery and reconstruction needs are estimated at $70 billion — over six times the 2024 Palestinian GDP.

Prospect of a full socioeconomic recovery remains contingent on actions taken by the occupying Power and the international community and would inevitably be protracted. The study concludes that sustainable development requires two fundamental conditions: an end to the occupation and sustained, substantial international support. Addressing the crisis demands more than humanitarian aid; it requires a strategic approach that prioritizes peace and links immediate relief to long-term development. From the outset, aid should be tailored to foster long term development and self-reliance — by, to the extent possible, deliberate sourcing locally from domestic producers prioritizing employment-intensive interventions, stimulating markets, and building durable infrastructure. Adopting a forward-looking approach is key to paving a viable pathway from crisis to stability, supported by coordinated international efforts, the restoration of fiscal flows, and the easing of restrictions, with the ultimate goal of fostering lasting peace for all the peoples of the region.

Introduction

A. Mandate

The Israeli occupation continues to exert a significant and growing socioeconomic impact on the Palestinian people, with costs that have accumulated over generations.

The 2025 Geneva Consensus reaffirmed Paragraph 127(bb) of the Bridgetown Covenant, which mandates 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 in the Occupied Palestinian Territory, and strengthen its programme of assistance to the Palestinian people with adequate resources and effective operational activities, including relevant studies, as part of the international community's commitment to building an independent Palestinian State, and with a view to alleviating the adverse economic and social conditions imposed on the Palestinian people, in line with the Accra Accord, the Doha Mandate and the Nairobi Maafikiano".

Furthermore, the United Nations General Assembly, in several resolutions (69/20, 70/12, 71/20, 72/13, 73/18, 74/10, 75/20 and 77/22), requests UNCTAD to report to it on the economic costs of the Israeli occupation for the Palestinian people.

Analyses and estimations of the socioeconomic impact and costs of occupation have been presented in various reports prepared in response to the afore-mentioned mandates and resolutions.

Accordingly, UNCTAD maintains that comprehensive and effective monitoring of the occupation's dynamic economic impact is essential. This monitoring is a prerequisite for reversing damages, achieving the Sustainable Development Goals in the Occupied Palestinian Territory for the ultimate goal of forging a just and lasting peace in the Middle East.

B. Objectives and background

In addition to UNCTAD's documents to the United Nations Trade and Development Board and its reports to the United Nations General Assembly, UNCTAD produces technical and statistical studies on the socioeconomic impact of the Israeli occupation and its costs for the Palestinian people stemming from reduced economic activity, destruction of infrastructure and productive assets and the suppressed potential they entail.

This publication presents UNCTAD's research on the economics of occupation, with updated findings on the socioeconomic consequences in the Occupied Palestinian Territory. Building on publications and documents issued in 2024 and 2025, the analysis highlights the effects of military operations, intensified restrictions, prolonged closures, and related measures. The study is structured in four parts, providing a comprehensive assessment of the crisis and its implications for development:

i. An assessment of the immediate economic impact of the escalation from October 2023.

ii. An analysis of the economic outlook for the Occupied Palestinian Territory in 2025.

iii. An estimate of the cumulative economic cost of the occupation from 2000 to 2024, resulting from Israeli military operations, restrictions, closures, and associated policies.

iv. An examination of prospects and prerequisites for economic recovery.

Previous research includes UNCTAD (2024b), which examines the economic cost of the additional restrictions imposed by occupation on Area C, which accounts for about 60 per cent of the total area of the West Bank. It highlights the significant restrictions imposed by occupation on Palestinian economic activity in Areas A and B, but notes that the restrictions imposed in Area C are far more stringent. Focusing on the additional restrictions in Area C, the study quantifies their welfare cost for Palestinian households. The methodology investigates the relationship between a locality's exposure to Area C classification (measured by the relative share of Area C in the locality's area) and household wellbeing, using expenditure as a proxy for welfare.

UNCTAD (2024a) assesses the economic impact of Gaza's destruction and its recovery prospects. The assessment estimates GDP losses and the associated decline in socioeconomic conditions, while also providing recovery projections, policy recommendations, and identifying key priorities.

From a macroeconomic perspective, UNCTAD (2022) assesses the cost of the restrictions imposed by occupation in Area C of the West Bank by estimating the lost potential GDP. It estimates the economic cost of the additional restrictions on Palestinian economic activity in the 30 per cent of Area C available for Palestinian development. The annual cost of these restrictions is estimated at 25.3 per cent of West Bank GDP. Meanwhile, the cumulative GDP loss during 2000–2020 is estimated at $50 billion ($45 billion in constant 2015 dollars) – about three times the West Bank GDP and over 2.5 times the Palestinian GDP in 2020. The cost is estimated based on an innovative, emerging methodology that relies on night-time luminosity (NTL) captured by satellite sensors over a span of time.[1]

UNCTAD (2021) estimates the economic costs incurred by the Palestinian people, due to the closures, restrictions and military operations in the West Bank imposed by the occupying Power in the aftermath of the second intifada, during the period 2000–2019. The study considers how the economy would have performed had these events not occurred. A counterfactual (alternative) growth path for the period 2000–2019 was constructed

[1] For more information please see: https://unctad.org/system/files/official-document/a77d295_en.pdf.

by assuming that the 33 per cent drop in the West Bank GDP did not occur and that, instead, the economy grew at the average rate of the periods 1995–1999 and 2007–2019. Under this alternative scenario, during the 2000–2019 period, the annual GDP of the West Bank would have been, on average, 35 per cent higher than its actual level. And by 2019, GDP per capita would have been 44 per cent higher than its realized, actual level.

UNCTAD (2020) estimates the impact of occupation in relation to the closures, restrictions and the military operations on Gaza, during the period 2007–2018. From a macroeconomic perspective, the estimated foregone economic growth could have resulted in GDP per capita more than 50 per cent greater than 2020 levels. Furthermore, the cumulative loss of potential GDP, or part of the economic costs suffered by Gaza, during the period 2007–2018 at $16.7 billion (real 2015 dollars), equivalent to six times the GDP of Gaza or 107 per cent of the GDP of the Occupied Palestinian Territory in 2018.

UNCTAD (2019a) reflects on Palestinian oil and natural gas reserves that the occupying Power, either prevents Palestinian access to or directly exploits for its own benefits — resources that could otherwise be used for the benefit of the Palestinian people. The study shed light on the discoveries of oil and natural gas in the Levant Basin, estimated at 122 trillion cubic feet of natural gas, with net value estimated at $453 billion (in 2017 prices), in addition to 1.7 billion barrels of recoverable oil with net value estimated at about $71 billion. The exploitation of Palestinian natural resources, including oil and natural gas, by the occupying Power, imposes on the Palestinian people enormous costs that continue to escalate as the occupation is sustained and entrenched. This study argues that such resources offer an opportunity to distribute and share a total of about $524 billion among the different neighboring states, in addition to the many intangibles but substantive advantages of energy security and fostering long overdue cooperation among long-time belligerents.

Context and Background

This study examines the economic impact of the escalation of hostilities in the Occupied Palestinian Territory since October 7, 2023. The developments have deepened the effects of a 58-year occupation, triggering an unprecedented socioeconomic collapse. The scale of destruction has unleashed cascading crises, economic, humanitarian, environmental and social pushing the Occupied Palestinian Territory from prolonged de-development to utter ruin. Military operations have decimated critical infrastructure, including hospitals, universities, schools, places of worship, cultural heritage sites, water and sanitation systems, agricultural land and telecommunications and energy networks. Beyond Gaza, the West Bank has also suffered severe economic fallout, with escalating violence and restrictions causing mass displacement and an unprecedented number of demolitions of Palestinian public and private assets, both personal and productive (UNCTAD, 2025).

In the Occupied Palestinian Territory, GDP has collapsed, unemployment has soared and poverty has surged to unprecedented levels. Meanwhile, Gaza stands at a critical juncture. The central question — and the core uncertainty — is whether it can recover the foundational pillars needed to reconstitute itself as a viable, sustainable, and functioning society

For more than two and half decades, the Palestinian economy has faced relentless de-development, with systemic constraints stifling growth. In Gaza, the private sector has been crippled by nearly two decades of closure, stringent restrictions, chronic electricity shortages and limited access to essential resources, technology, and critical imports. Meanwhile, the West Bank economy struggles in politically volatile environment impacting production and trade costs, deteriorating infrastructure, and restrictions on land, water and other vital resources – all rooted in prolonged occupation. These structural barriers have collectively strangled economic development, eroded productive capacity, entrenched widespread poverty, and deepened dependence on foreign aid. Key constraints identified through ongoing UNCTAD research include the following:

(a) Repeated military operations (2008–09, 2012, 2014, 2021, 2022, 2023–25), which have shattered infrastructure.

(b) The closure 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 in domestic and foreign markets.

(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 suffer from wide-ranging small- scale inefficiencies and face different opportunities and rights depending on location – be they operating in Areas A, B or C of the West Bank, East Jerusalem or Gaza.

The October 7, 2023, attacks by Hamas, and other Palestinian armed groups, triggered a severe escalation of hostilities. The ensuing Israeli military operations have led to the displacement of nearly Gaza's entire population, inflicted extensive civilian casualties, created an unprecedented humanitarian crisis, and decimated critical civilian infrastructure. Violence has also significantly affected the West Bank. The ensuing economic collapse across the Occupied Palestinian Territory has aggravated the costs of the 58-year Israeli occupation of the West Bank, East Jerusalem and Gaza (United Nations, 2025).

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

A. The West Bank

Under the Oslo Accords, the occupied West Bank was divided into Areas A, B and C. Area C – the only contiguous part of the West Bank, encompassing most of its natural resources – remains under full Israeli control and is largely inaccessible for Palestinian development activities. Meanwhile, Areas A and B, nominally under Palestinian civil administration, are fragmented into roughly 166 disconnected enclaves surrounded by Area C. This fragmentation, aggravated by relentless Israeli settlement expansion, prevents Palestinian territorial contiguity and undermines prospects and geographical basis for a viable two-State solution.

Despite initial provisions for a phased transfer of Area C to the Palestinian Authority post-Oslo Accords, Israel has continued the occupation of Area C and restrict Palestinian access to land and development. These restrictions are systematically enforced and accompanied by land confiscations, settlement expansion, denial of building and development permits and routine demolition of Palestinian-owned structures – including homes, schools, water infrastructure and donor-funded projects. The economic impact of Israeli restrictions is profound. Closures, checkpoints and restricted access to Area C inflate costs, reduce employment opportunities, depress wages and hinder market access (United Nations, 2025).

Invoking security concerns, the occupying Power deploys a complex matrix of administrative and physical controls over Palestinian natural and economic resources, trade, and the movement of people and goods. In the occupied West Bank, this multilayer system imposes a costly fragmentation of the Palestinian economy and people. It includes a stringent permit regime, bureaucratic controls, and hundreds of permanent and "flying" checkpoints, roadblocks, earth mounds, and trenches — in addition to the Separation Wall and the infrastructure of settlements. As of July 2025, some 849 such movement restrictions continued to control the movements of 3.3 million Palestinians. These barriers suppress economic activity and inflate costs by increasing distance and travel time between towns (United Nations, 2025).

The most significant physical structure remains the 712-km Separation Wall, which extends more than twice the length of the 1949 Armistice Green Line – the internationally recognized June 1967 border. As noted by the International Court of Justice in its 2004 advisory opinion, the construction of the wall and its associated regime create a fait accompli on the ground that could well become permanent, in which case, and notwithstanding the formal characterization of the wall by Israel, it would be tantamount to de facto annexation (United Nations, 2025). The structures comprising the wall fragment Palestinian land and society, severely limiting freedom of movement and impeding access to work and essential services, including healthcare and education.

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, by 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 (UNCTAD, 2025).

Since October 2023, confrontations between Israeli settlers and Palestinians has escalated significantly, reaching record levels. According to UNOCHA, In the period 7 October 2023–31 October 2025, 3372 settler attacks causing Palestinian casualties or property damage were documented, including 1,449 documented attacks in 2024 and 1495 documented attacks in 2025 by end of October. Overall, in the West Bank, in October 2023-October 2025, 10,496 Palestinians were injured and 1010 killed. In the same period, 41 Israelis, including 4 children, were killed in the occupied West Bank in attacks by Palestinians.[2]

According to data from UNOCHA between January 2024 and October 2025, demolitions of Palestinian civilian structures reached their highest recorded level, further compounding the crisis. Israeli authorities, as the occupying Power, demolished or destroyed 3,192 Palestinian homes and structures across the West Bank, displacing thousands, eroding livelihoods, and exacerbating the already severe economic and humanitarian crisis. According to the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), 57 per cent of the destroyed structures were residential. The remainder comprised critical infrastructure, agricultural assets, and water, sanitation, and hygiene (WASH) facilities. The direct consequence was the forced displacement of 4,160 Palestinians. These systematic measures by Israel create and sustain a coercive environment that facilitates an alteration of the demographic composition in Area C of the occupied West Bank, effectively pushing Palestinian communities off their land; concurrently with the expansion of Israeli settlements and growth of the settler population (United Nations, 2025).

By October 2025, 147 Israeli settlements and 224 outposts existed in the West Bank,

[2] See https://www.ochaopt.org/content/west-bank-monthly-snapshot-casualties-property-damage-and-displacement-october-2025.

housing 503,732 settlers and, combined with 233,600 settlers in East Jerusalem, the total reached 737,332.[3] A record 141 new outposts were established across the West Bank in 2024–2025.[4] 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 (United Nations, 2025).

UNCTAD assessments suggest that a partial reduction of the restrictions on Palestinian economic activity in just 30 per cent of Area C can increase the GDP of the West Bank by over 25 per cent which translates into less poverty, more jobs, more fiscal revenues, and less aid-dependence. Furthermore, according to the World Bank, the direct and indirect benefits of lifting the internal movement barriers and allowing Palestinian access to Area C and its resources would boost the Palestinian GDP by 35 per cent (UNCTAD, 2022).

B. The Gaza Strip

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 Hamas took control of Gaza in 2007. For 17 years, 2.3 million Palestinian people have been confined to a small, 365 km^2 enclave with one of the highest population densities in the world. Since October 2023, the evacuation orders covering large areas of Gaza have forcibly concentrated Palestinians into ever-smaller spaces and shrinking areas. This compression has critically exacerbated the pre-existing crisis of overcrowding and extreme population density, amplifying the attendant erosion of welfare and health hazards.

Entry of goods has been reduced to basic needs and humanitarian relief. In addition, during this period, Gaza has endured numerous military operations. The resulting degradation of productive capacity and 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.

In Gaza, during the period 2007–2022, GDP grew by 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. During the same period, 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 well below potential.

The Israeli military operations and restrictions – that followed the attacks by Hamas, and other Palestinian armed groups, on 7 October 2023 – devastated the remnants of Gaza's economy and infrastructure. The intense military operations resulted in an unprecedented humanitarian, environmental and social and condemned Gaza to utter ruin. The far-reaching repercussions will linger for years to come, and it may take decades to return Gaza to the status quo ante.

According to UNOCHA's data, As of 3 December 2025, over 171,000 Palestinians had been injured and over 70,117 killed, including over 20,179 children. At least 578 aid workers and 1,700 health workers have been killed, alongside 256 journalists.[5]

Infrastructure across Gaza has collapsed. As of October 2025, approximately 81 per cent of structures in Gaza have been damaged or destroyed, including 330,622 housing units leaving around 1.48 million people each in urgent need of shelter and of household items.

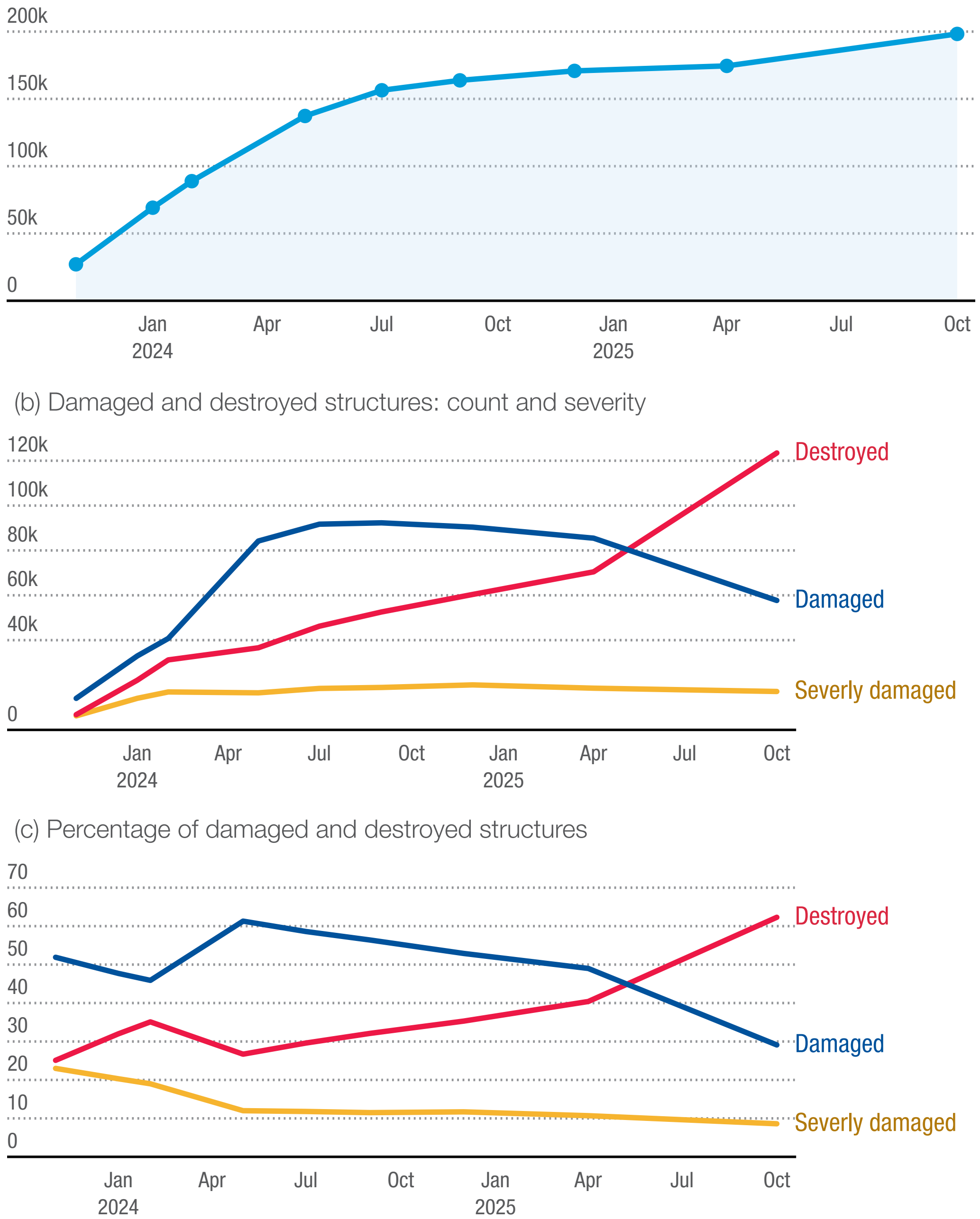
[3] A/HRC/58/73.
[4] See https://peacenow.org.il/en/settlements-watch/settlements-data/population.
[5] See https://www.ochaopt.org/content/reported-impact-snapshot-gaza-strip-3-december-2025.

Assessments of data from United Nations Satellite Centre show that by October 2025, 198,273 structures, in Gaza, had been damaged (Figure 1(a)). Analysis of damage trends in various assessments since November 2023 shows that 83 per cent of that damage had occurred by September 2024 (Figure1(b)). Subsequent military operations destroyed already damaged structures. The proportion of destroyed structures reached 62 per cent of the total by October 2025, almost double the 32 per cent observed in September 2024 (Figure 1(c)).

Figure 1

Gaza: United Nations Satellite Centre damage assessments

(a) Number of total damaged structures



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

Health services have collapsed, with only 50 per cent of hospitals and 34 per cent of primary health centres functional by October 2025.[6] Hospitals face significant shortages of supplies, qualified workers and fuel. The education system has similarly collapsed; over 637,475 children and 87,000 university students were deprived of access to schools for two years. Over 93 per cent of schools require full reconstruction.[7]

As UN Woman documents stress women and girls face distinct, gender-specific risks to health, hygiene, privacy, safety and dignity, while bearing a disproportionate burden of caregiving for children, the elderly, and the injured — challenges that further exacerbate their vulnerability and deepen existing gender inequalities. The situation continued to deteriorate even after the October 2025 ceasefire.[8] An entire generation now carries the burden of lifelong physical scars and deep psychological trauma, including widespread anxiety, depression and post-traumatic stress disorder — threatening individual well-being and the prospects for societal recovery.

Agricultural systems have been obliterated; by October 2025 86.7 per cent of water wells, 87 per cent of cropland and 79.5 per cent of greenhouses were damaged and only 4 per cent of farmland remained usable. Water and sanitation infrastructure has also collapsed, with 89 per cent of water, sanitation and hygiene assets damaged or destroyed.[9]

In the 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 leaving the sectors operating at a fraction of the suboptimal pre-crisis capacity. The long-term consequences will be dire, with malnutrition stunting children's physical and cognitive development, while the destruction of health care and educational systems risks permanently harming the well-being and earning capacity of an entire generation (UNCTAD, 2025).

As documented by UNOCHA, by December 2025, access to humanitarian aid remained significantly restricted. Over 82 per cent of Gaza remained within militarized or displacement zones, and the coordination of humanitarian missions had been delayed or denied by Israel. The scale and intensity of destruction, compounded by logistical and security concerns, had made delivering aid a monumental, often dangerous, task. The crisis in Gaza is characterized by the collision of hunger, diseases, multidimensional poverty, economic ruin and societal fragmentation.

[6] Ibid.
[7] See https://www.ochaopt.org/content/reported-impact-snapshot-gaza-strip-3-december-2025.
[8] 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.
[9] See https://www.ochaopt.org/content/west-bank-monthly-snapshot-casualties-property-damage-and-displacement-october-2025.


© Ramadan Abed/Reuters

III

The economic impact of the post-October 2023 military operations and restrictions

This chapter analyses the immediate economic impact of the October 2023 crisis on the Palestinian economy — across Gaza and the West Bank — and outlines prospects for recovery in 2025, based on current indicators.

A. The direct immediate impact (October 2023–December 2024)

Across the Occupied Palestinian Territory, production has come to a standstill, with disruptions or complete halts in key sectors as 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 (United Nations, 2024 and UNCTAD, 2025).

The recent military operations triggered a severe economic collapse. By 2024, the GDP of the Occupied Palestinian Territory had contracted by 27 per cent from its 2023 level, falling to just 70 per cent of the pre-crisis 2022 level. This collapse erased 22 years of progress: GDP per capita plummeted to 2003 levels, representing a 40 per cent decline from its 2016 peak, while overall GDP regressed to that of 2010 (Table 1 and Figures 2 & 3). While the downturn was severe across Palestine, Gaza has experienced the most devastating impact.

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 (Table 1 and Figure 2b & 3b). In 2024, GDP shrank by 17 per cent and GDP per capita, by 18.8 per cent, erasing 17 years of economic progress. By end-2024, total GDP had fallen to 2014 levels and GDP per capita, to 2008 levels (Table 1 and Figure 2 & 3).

By 2024, the economy of Gaza had shrunk to 17 per cent of 2023 levels and 13 per cent of 2022 levels. With formal commerce decimated, remaining activity shifted to the informal sector, where essential goods are sold at exorbitant prices. According to the ILO (2025), rising desperation led to an increase in child labour, with children forced by need into hazardous, low-wage work. GDP per capita dropped to $161, or 6.4 per cent of the 2005 peak (Table 1 and Figure 2 & 3).

The World Bank (2025) 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.[10]

The Economic and Social Commission for Western Asia (UNESCWA) and the United Nations Development (UNDP) document 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 (UN ESCWA, 2023).

The crisis has set the Palestinian economy in a downward spiral. In Gaza, nearly all businesses have been destroyed, and multidimensional poverty engulfed the entire population (United Nations, 2024). In the West Bank, violence, accelerated settlement expansion and restrictions on workers' mobility have decimated the economy, resulting in the worst economic decline in UNCTAD's data records dating back to 1972 (UNCTAD, 2025).

Nearly all businesses in the West Bank have reported adverse effects from the military operations due to supply chain disruptions and increasing transportation costs (ILO, 2024). 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. Meanwhile, 74 per cent of surveyed farmers have reported an average decline in revenue of 50 per cent (UNCTAD, 2025; MAS, 2025).

In the West Bank, businesses have coped through cost-cutting measures, workforce downsizing and underemployment of workforce – decreasing working days per month from 25 to 17 (ILO, 2024). 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.

[10] It is likely that 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, by the end of 2025, the overall economic decline continued. Whether recovery would begin in 2026 remains to be seen. For more information check Box 1: https://thedocs.worldbank.org/en/doc/0f21311c2ebb0df4bf9b493a8034997c-0280012025/impacts-of-the-conflict-in-the-middle-east-on-the-palestinian-economy-april-2025.

Private sector losses reached $1.3 billion by end-2024 (World Bank, 2025). Women entrepreneurs have been disproportionately affected; 58 per cent reported operational declines, 62 per cent were forced to downsize workforce and 18 per cent resorted to underemployment (World Bank, 2025).

The cost of living has risen across the Occupied Palestinian Territory, with the consumer price index rising by 54 per cent in 2024; aggravating a pre-existing 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.

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

In Gaza, restrictions on the entry of humanitarian and commercial goods triggered a surge in inflation in the region of 238 per cent. This came as the number of truckloads allowed into Gaza dropped by two-third during the period 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 (ILO, 2025).

The military operations have worsened a chronic pre-existing unemployment crisis. By June 2024, half of all Palestinians seeking work were unemployed, a significant 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]

According to the Palestinian Central Bureau of statistics, the ban in 2024, by Israel, on Palestinian workers entering workplaces in Israel and settlements eradicated 84 per cent of incomes earned there compared with 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 compared with 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

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

substitutes, should not be mistaken for a healthy adjustment in the balance of payments or a broader improvement in macroeconomic performance.

On the fiscal side, 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. According to the Palestinian Government, these deductions amounted to $1.2 billion in January 2019–September 2025.[12] 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. During the period January 2019-September 2025, cumulative deductions and withheld amounts surpassed $2.2 billion, equivalent to 20 per cent of GDP in 2024 – equivalent to about 60 per cent of total Palestinian net revenues.

In response to the fiscal pressures, since end-2021, the Government has been paying partial salaries to civil servants. And since October 2023, partial salaries have been further reduced to 60–70 per cent of commitments. Salary and overall spending cuts constrained GDP growth from the demand side, further exacerbating the post-October 2023 supply shock. The crisis forced the Palestinian Government to accumulate arrears owed to the private sector and the pensions fund and increasingly fund health care through unsustainable accumulations of further arrears.

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. Students had been deprived of formal schooling for over two years.

In the West Bank, 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. Lost learning will reduce the future earnings of an entire generation and enhance societal fragility. Without urgent intervention, the toll on both present and future generations will only grow heavier.

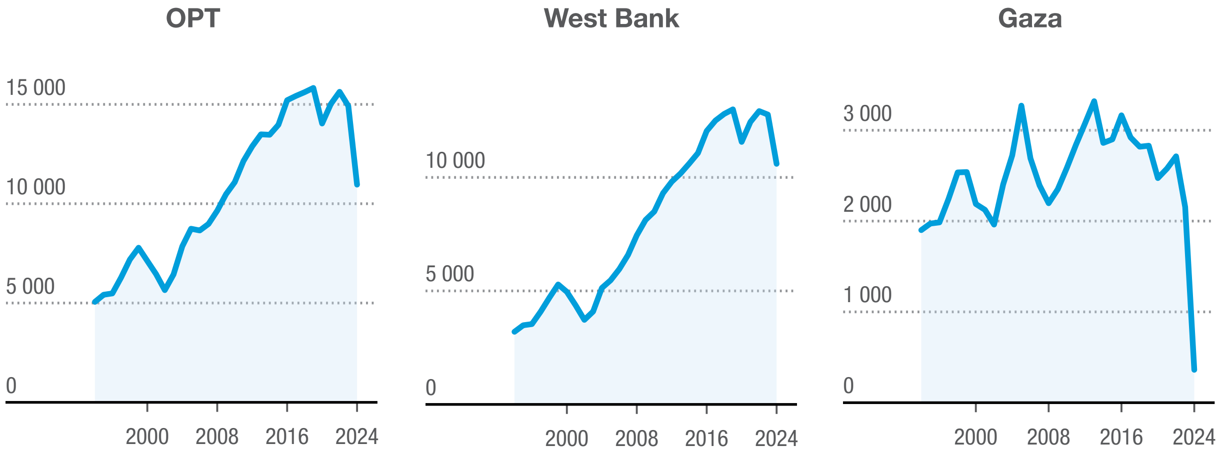
[12] Please see: https://pmof.ps/documents/accounts/monthly/2025/September.2025.En.pdf

Table 1
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

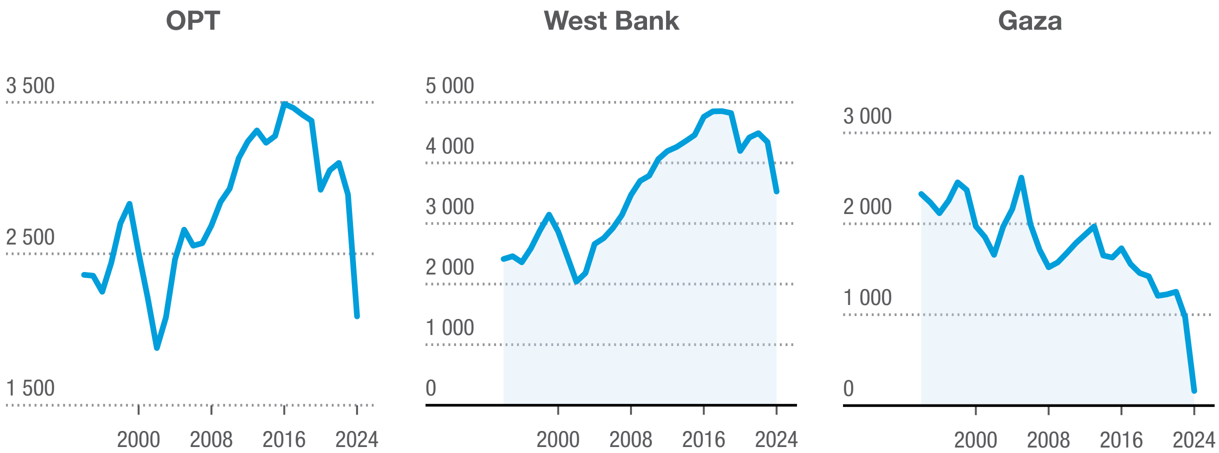
Source: UNCTAD secretariat calculations, based on PCBS quarterly national accounts and consumer price index.

Figure 2
Real gross domestic product
(Constant million 2015 dollars)



Source: Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Figure 3
Real gross domestic product per capita
(Constant 2015 dollars)

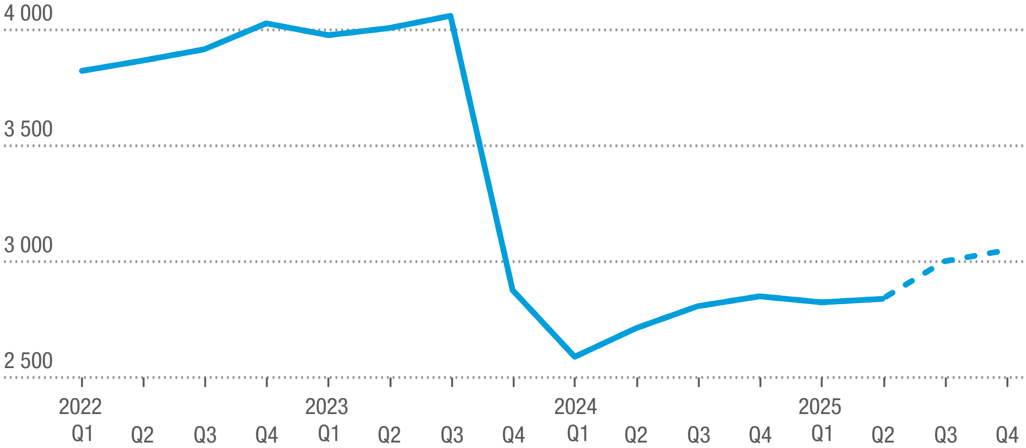


Source: Palestinian Central Bureau of Statistics national accounts data (1994–2024).

B. The 2025 economic outlook for the Occupied Palestinian Territory

The overarching conditions in the Occupied Palestinian Territories (OPT) in 2025 resemble those of 2024 and the last quarter of 2023, marked by violence, persistent restrictions, instability, and a fragmented economic trajectory between the West Bank and Gaza. In the first half of 2025, GDP in the Occupied Palestinian Territory increased by 6.8 per cent compared with the same period in 2024. This growth was driven exclusively by 7.6 per cent expansion in the West Bank (see Figure 4).

Figure 4
The Occupied Palestinian Territory: Quarterly real gross domestic product Q1-2022- Q4-2025
(Constant million 2015 dollars)



Source: UNCTAD secretariat calculations, based on PCBS quarterly national accounts.
Note: the dotted line is UNCTAD projections for Q3&Q4 2025.

Driven by growth in the West Bank, the Occupied Palestinian Territory's overall GDP is expected to increase by 6.5 per cent in 2025. However, this rebound is incomplete; total output will remain 25 per cent lower than in 2022. Similarly, GDP per capita is projected to grow by 5 per cent yet will stay 29.3 per cent below its 2022 value, indicating a sustained decline in living standards. The regional distribution of national growth is analysed below.

i. The West Bank: Constrained Growth Amidst Persistent Restrictions

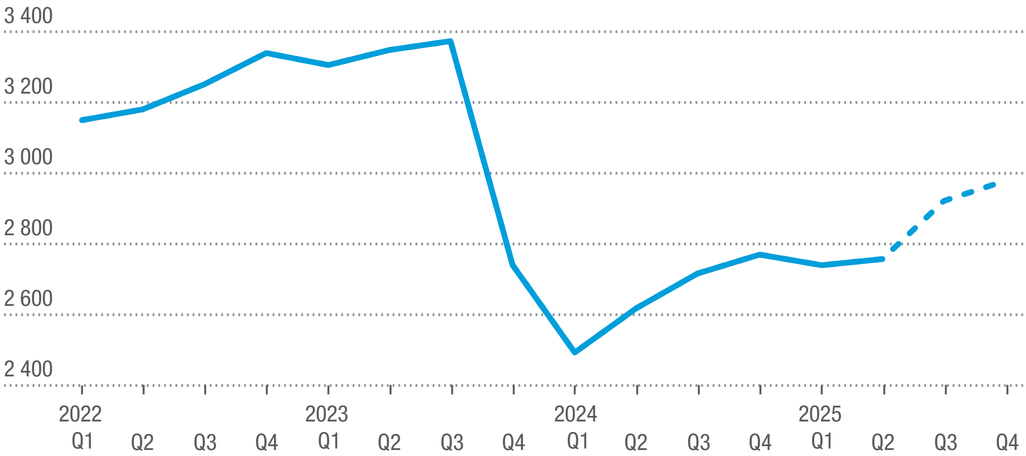
The West Bank saw the continuation of movement restrictions, settler violence, settlement expansion, impediments to Palestinian labour employment in Israel and settlements, and the continuation of withholding of clearance revenues.

Palestinian Central Bureau of Statistics data show that in June 2025, the number of Palestinian workers employed in Israel and settlements increased to 44,000 compared to 27,300 in June 2024.[13] This increase in employment contributed to a modest reduction in the West Bank's unemployment rate, from 31 per cent to approximately 29 per cent over the same period. Consequently, the subsequent corresponding influx of income into the economy positively impacted aggregate demand and stimulated growth in the West Bank.

The West Bank's 7.6 per cent expansion — which accounted for all positive growth in the Occupied Palestinian Territory — was broad-based across all major economic sectors: agriculture grew by 11.2 per cent, industry by 7.8 per cent, construction by 7.7 per cent. This growth reflects several factors: a low base of comparison, the economy's adjustment to a 'new normal' of sustained Israeli restrictions, and the above-mentioned increased employment of Palestinian workers in Israel and settlements.

[13] For more information please see: https://pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_LFSSYQ22025E.pdf.

Figure 5
West Bank: Quarterly real gross domestic product Q1-2022- Q4-2025
(Constant million 2015 dollars)



Source: UNCTAD secretariat calculations, based on PCBS quarterly national accounts.
Note: the dotted line is UNCTAD projections for Q3&Q4 2025.

Projections for the West Bank economy, based on the observed continuation of restrictive occupation policies through 2025, suggest a sustained first-half growth rate for the full year. Under this scenario, GDP is forecast at $11.4 billion (constant 2015 dollars), representing a 7.6 percent recovery from the 2024 trough. However, this output remains 12 percent below the 2022 pre-crisis baseline (see Figure 5). Correspondingly, GDP per capita is expected to grow by 5.6 percent from 2024 but will persist at a level 17 percent below that of 2022—a regression to conditions comparable to 2010.

ii. Gaza: Collapse with no recovery in sight

In Gaza, military operations, and severe restrictions on humanitarian aid and goods persisted until the ceasefire of October 10, 2025. While the agreement reduced the intensity of active hostilities, its positive impact has been severely constrained. The subsequent inflow of aid and essential supplies remains critically insufficient to meet the population's overwhelming needs.

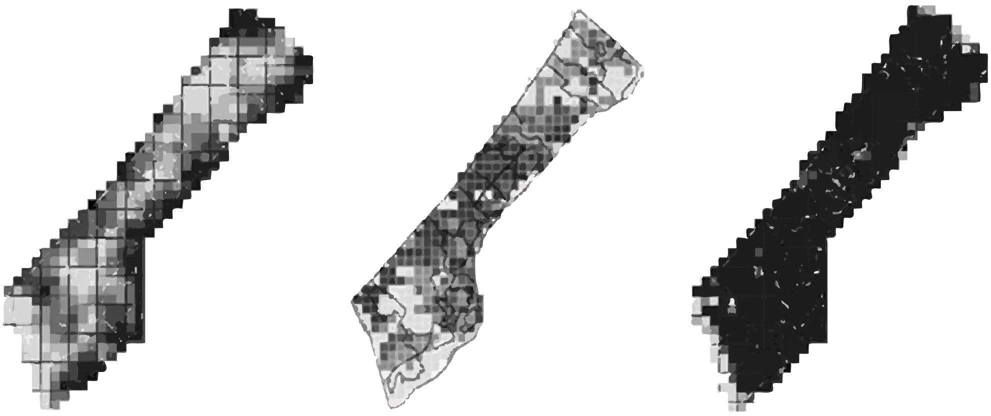
Furthermore, Israel continues to exercise full control over approximately 53 percent of the Gaza Strip's territory, primarily along its border areas.

Gaza's economic collapse deepened, with GDP contracting by a further 13 per cent in the first half of 2025 relative to the first half of 2024. This continued decline underscores the severe and ongoing erosion of Gaza's economic foundation resulting from protracted closure and conflict.

This study projects Gaza's economic performance for the second half of 2025 using the innovative methodology employed by UNCTAD since January 2024, which integrates damage mapping and night-time luminosity data to evaluate the impact of military operations. To estimate the effect of damage on nighttime luminosity, a difference-in-differences approach is used comparing the average change in nighttime 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 nighttime luminosity baseline is derived from daily measurements taken in Gaza in the period 22 September - 6 October 2023.

Accordingly, the cumulative impact of bombing during the period 7 October 2023 - 10 October 2025 is estimated to have led to a decrease of 75 per cent in night-time luminosity, an indicator of reduced economic activity (figure 6).

Figure 6
Gaza: Average night-time luminosity



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

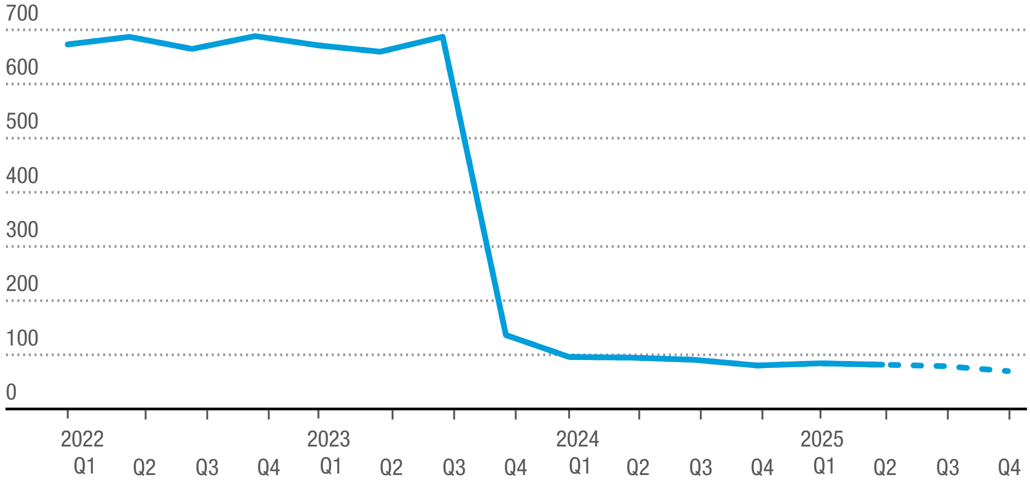
Notes: Grids of 1 km2; brighter grids indicate more lights emanated.

The analysis of quarterly night-time luminosity and GDP per capita for the period 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 decrease in nighttime luminosity suggest a contraction of 91.5 per cent in GDP per capita.

Furthermore, UNCTAD analysis reveals that by November 10, 2025 — one month into the ceasefire signed the previous October—the overall nighttime luminosity emanating from the Gaza Strip showed no statistically significant change, despite a shift in its internal distribution. This indicates that a broad economic recovery had yet to commence.

Consequently, given the lack of meaningful economic reactivation, UNCTAD estimates Gaza's real GDP in 2025 will be 13 per cent lower than in 2024, falling to approximately $315 million (constant 2015 dollars) — a mere 11 per cent of its 2022 level (see figure 7). GDP per capita is projected to decline further to around $138, which is also just 11 per cent of its 2022 value.

Figure 7
Gaza: Quarterly real gross domestic product Q1-2022- Q4-2025
(Constant million 2015 dollars)



Source: UNCTAD secretariat calculations, based on PCBS quarterly national accounts.
Note: the dotted line is UNCTAD projections for Q3&Q4 2025.

IV

Toward a Partial Estimate: The Cumulative Economic Cost of Occupation in the Palestinian Territory (2000–2024)

As highlighted in multiple UNCTAD studies and reports to the United Nations General Assembly and Trade and Development Board, the Israeli occupation exacts a heavy economic cost on the Palestinian economy and people. This chapter estimates the economic costs arising from the main occupation-related shocks in the West Bank (2000–2024) and Gaza (2007–2024), including military operations, systemic restrictions, and policies. The methodology, mirrors that employed in previous UNCTAD studies (2021, 2022), constructs a counterfactual growth path to model potential economic performance in the absence of these disruptions, thereby isolating their specific impact.

A. The partial, estimated cumulative cost of the occupation of the West Bank (2000-2024)

This section estimates part of the cumulative economic costs incurred by the occupied West Bank as a consequence of the Israeli occupation between 2000 and 2024, measured in terms of foregone GDP – economic output that could not be realized due to occupation-related constraints. To isolate their impact a counterfactual growth path is constructed to model economic performance under the hypothetical absence of key occupation-related disruptions by assuming:

i. The escalations behind the post-Second Intifada economic decline (29.5 per cent contraction, 2000–2003) and subsequent rebound (2004–2006) had not occurred.
ii. The recent post-October 2023 hostilities that caused an 18 per cent contraction in 2023–2024 had not occurred.
iii. Palestinian economic activities in 30 per cent of Area C (excluding the settlements in that Area and excluding East Jerusalem) had been subjected to the lower level of restrictions imposed in Areas A and B of the West Bank.

The counterfactual scenario assumes sustained West Bank economic growth averaging 7.1 per cent a year throughout 2000–2006. This rate corresponds to the average growth experienced during 1995–1999 and 2007–2019, when Israeli restrictions were comparatively lower. For the COVID-19 pandemic-affected years (2020–2022), actual historical growth rates are incorporated. For 2023 and 2024, the hypothetical scenario envisages continued growth at the 4.2 per cent annual rate observed in the first three quarters of 2023 (prior to 7 October 2023).

In addition, and based on (UNCTAD, 2022) the counterfactual scenario assumes that if Palestinian economic activity in 30 per cent of Area C (excluding areas under Israeli settlement regional councils) had faced restrictions comparable to those in Areas A and B, the GDP of the West Bank would have been approximately 25.3 per cent higher than observed.

This study concludes that, had the two major economic shocks not occurred and had Palestinians been permitted to invest in 30 per cent of Area C under conditions comparable to Areas A and B, the West Bank's annual GDP could have been, on average, 68.2 per cent higher from 2000 to 2024.

As illustrated in Table 2 and Figure 8, West Bank's cumulative GDP losses from 2000 to 2024 reached $170.8 billion (constant 2015 dollars) – equivalent to roughly 17 times the region's 2024 GDP and over 16 times the total GDP of the Occupied Palestinian Territory that same year. Meanwhile, by 2024, West Bank's per capita GDP would have reached $8,525 (constant 2015 dollars) or 142 per cent higher than the actual $3,528 (Table 3 and figure 9). This lost economic potential underscores the substantial cost of the restrictions, closures and military operations by Israel.

Table 2

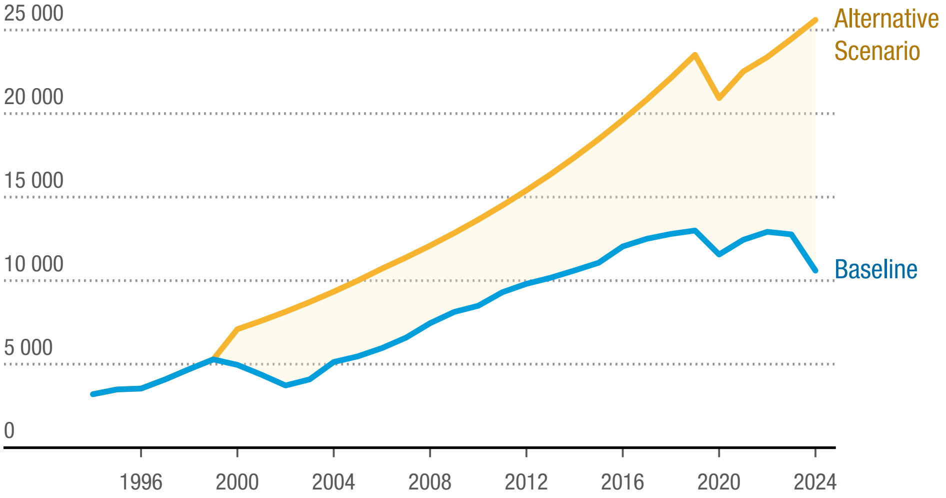
The estimated unrealized economic potential in the West Bank, 2000–2024: A Counterfactual analysis of gross domestic product losses from occupation-related shocks and restrictions

(Millions of constant 2015 dollars)

Year	Actual	Counterfactual	Difference	Percentage change
2000	4 958	7 093	2 135	43.1
2001	4 366	7 598	3 232	74.0
2002	3 725	8 139	4 414	118.5
2003	4 091	8 719	4 628	113.1
2004	5 129	9 340	4 211	82.1
2005	5 469	10 005	4 536	83.0
2006	5 962	10 717	4 755	79.8
2007	6 588	11 385	4 798	72.8
2008	7 451	12 095	4 644	62.3
2009	8 126	12 849	4 723	58.1
2010	8 496	13 650	5 154	60.7
2011	9 306	14 501	5 195	55.8
2012	9 810	15 404	5 594	57.0
2013	10 172	16 364	6 193	60.9
2014	10 610	17 385	6 774	63.8
2015	11 072	18 468	7 396	66.8
2016	12 046	19 619	7 573	62.9
2017	12 506	20 842	8 337	66.7
2018	12 797	22 141	9 344	73.0
2019	12 999	23 521	10 522	80.9
2020	11 564	20 925	9 361	80.9
2021	12 444	22 517	10 073	80.9
2022	12 922	23 382	10 460	80.9
2023	12 768	24 469	11 701	91.6
2024	10 598	25 607	15 009	141.6
Total	**250 275**	**421 037**	**170 761**	**68.2**

Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Figure 8
West Bank gross domestic product (2000–2024): A comparison of the actual with the counterfactual scenario
(Millions of constant 2015 dollars)



Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Table 3

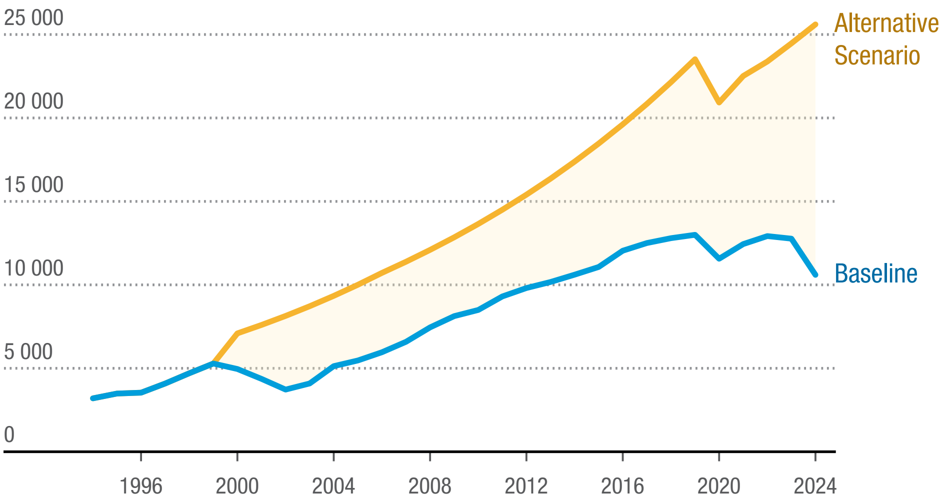
West Bank gross domestic product per capita (2000–2024): A comparison of the actual average with the counterfactual scenario

(Constant 2015 dollars)

Year	Actual	Counterfactual	Difference	Percentage change
2000	2 866	4 099	1 234	43.1
2001	2 456	4 274	1 818	74.0
2002	2 040	4 458	2 418	118.5
2003	2 181	4 649	2 468	113.1
2004	2 662	4 847	2 185	82.1
2005	2 759	5 047	2 288	83.0
2006	2 923	5 254	2 331	79.8
2007	3 139	5 425	2 286	72.8
2008	3 471	5 634	2 163	62.3
2009	3 703	5 854	2 152	58.1
2010	3 788	6 086	2 298	60.7
2011	4 063	6 331	2 268	55.8
2012	4 195	6 587	2 392	57.0
2013	4 262	6 857	2 595	60.9
2014	4 359	7 141	2 783	63.8
2015	4 461	7 440	2 980	66.8
2016	4 761	7 754	2 993	62.9
2017	4 851	8 085	3 234	66.7
2018	4 854	8 399	3 544	73.0
2019	4 823	8 726	3 904	80.9
2020	4 197	7 595	3 398	80.9
2021	4 419	7 996	3 577	80.9
2022	4 491	8 126	3 635	80.9
2023	4 344	8 325	3 981	91.6
2024	3 528	8 525	4 997	141.6

Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Figure 9
West Bank gross domestic product per capita (2000–2024): A comparison of the actual average with the counterfactual scenario
(Constant 2015 United States dollars dollars)



Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

B. The partial, estimated cumulative cost of the occupation in the Gaza Strip

Building on the methodology developed by UNCTAD (2022), this section estimates the cumulative economic cost inflicted on Gaza by 17 years of Israeli blockade, movement restrictions, and recurrent military operations during the period 2007-2024.

Estimating the economic cost of the prolonged closures, restrictions, and military operations from 2007-2024 is methodologically complicated by endogeneity, overlapping causal factors, and measurement problems. Furthermore, the costs of these disruptions are deeply intertwined and cannot be neatly delineated. Yet it is possible to address the issue by employing a counterfactual scenario that models a growth path in which these shocks did not occur. The deviation of the estimated hypothetical gross domestic product from the actual baseline values provides an estimate of their combined economic cost.

The counterfactual scenario is constructed by assuming that Gaza's share of the Palestinian economy remained at its 2006 level — effectively, that assumes Gaza's economy grew at the same rate as the West Bank's from 2007 to 2024. In real terms, Gaza's share of GDP plummeted from 31 per cent in 2006 to just 3.3 per cent in 2024 — a steep decline driven by closures, restrictions, and repeated military operations. The economic cost is quantified as the gap between actual (baseline) GDP and the values projected under this hypothetical scenario.

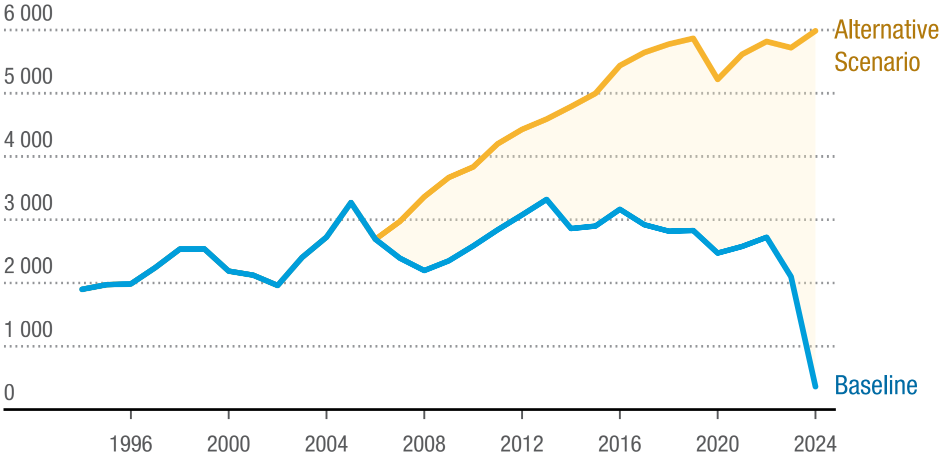
If Gaza's economy had continued to grow at the same rate as that of the West Bank during the period 2007–2024, it is estimated that its annual GDP would have been, on average, 161 per cent higher than its actual level. This implies an estimated cumulative loss of $41.4.8 billion (in constant 2015 dollars) of unrealized GDP potential during the period 2007–2024. The sum is equivalent to about 20 times Gaza's GDP in 2023 and 115 times its GDP in 2024 (see Figure 10 and Table 4). Meanwhile, it is estimated that GDP per capita in 2024 would have been $2,664, or 16 times higher than its actual level (see Figure 11 and Table 5).

Table 4
Gaza: Real gross domestic product, 2007–2024: Comparison of baseline values and counterfactual scenario
(Millions of constant 2015 United States dollars)

Year	Baseline scenario	Alternative scenario	Difference	Percentage difference
2007	2 393.2	2 973.2	580.0	24.2
2008	2 196.7	3 363.0	1 166.3	53.1
2009	2 350.8	3 667.7	1 316.9	56.0
2010	2 586.3	3 834.6	1 248.3	48.3
2011	2 840.5	4 200.1	1 359.6	47.9
2012	3 076.7	4 427.7	1 351.0	43.9
2013	3 320.5	4 590.9	1 270.4	38.3
2014	2 860.7	4 788.8	1 928.1	67.4
2015	2 900.1	4 997.3	2 097.2	72.3
2016	3 164.9	5 436.8	2 271.9	71.8
2017	2 921.4	5 644.2	2 722.8	93.2
2018	2 818.9	5 775.9	2 957.0	104.9
2019	2 830.2	5 866.8	3 036.6	107.3
2020	2 473.3	5 219.3	2 746.0	111.0
2021	2 578.1	5 616.2	3 038.1	117.8
2022	2 722.7	5 817.6	3 094.9	113.7
2023	2 100.4	5 719.9	3 619.5	172.3
2024	362	5 986	5 624	1554
Cumulative	**46 497**	**87 926**	**41 429**	**89**

Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Figure 10
Gaza's gross domestic product trajectory, 1994–2024: Baseline vs. hypothetical performance without closures and military operations
(Millions of constant 2015 United States dollars dollars)



Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Table 5
Gaza: Real gross domestic product per capita (2007–2024): A comparison of the actual average (baseline) with the counterfactual scenario
(Constant 2015 United States dollars)

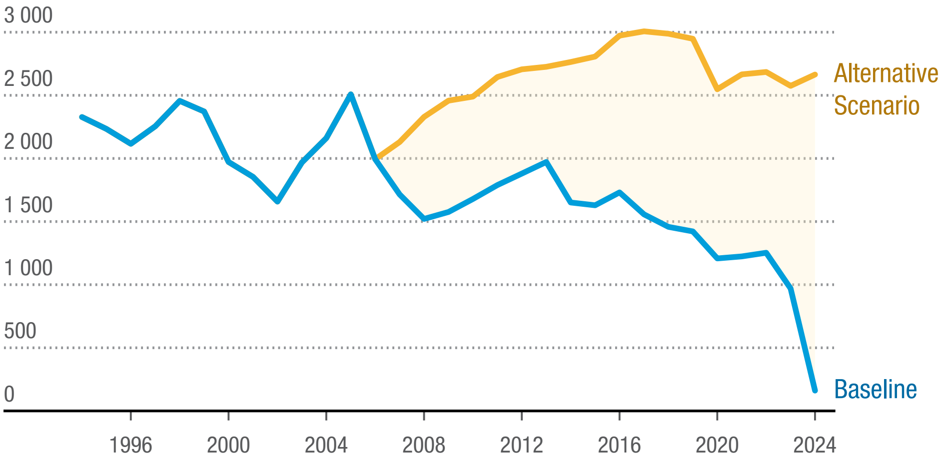
Year	Baseline scenario	Alternative scenario	Difference	Percentage difference
2007	1 714.7	2 130.3	415.6	24.2
2008	1 521.4	2 329.2	807.8	53.1
2009	1 575.6	2 458.2	882.6	56.0
2010	1 679.4	2 490.0	810.6	48.3
2011	1 788.7	2 644.8	856.1	47.9
2012	1 880.3	2 705.9	825.6	43.9
2013	1 971.5	2 725.8	754.3	38.3
2014	1 651.3	2 764.3	1 113.0	67.4
2015	1 628.9	2 806.8	1 177.9	72.3
2016	1 730.8	2 973.3	1 242.5	71.8
2017	1 556.6	3 007.4	1 450.8	93.2
2018	1 458.3	2 988.0	1 529.7	104.9
2019	1 422.2	2 948.1	1 525.9	107.3
2020	1 207.6	2 548.4	1 340.8	111.0
2021	1 223.9	2 666.2	1 442.3	117.8
2022	1 256.8	2 685.4	1 428.6	113.7
2023	945.7	2 575.4	1 629.7	172.3
2024	161	2 665.6	2503.5	1654.0

Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Figure 11

Gaza: Gross domestic product per capita, actual (baseline) vs the counterfactual scenario, 1994-2024

(Constant 2015 United States dollars)



Source: UNCTAD calculations. Baseline scenario is the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

The analysis underscores the magnitude of the loss in economic potential. In the Occupied Palestinian Territory (OPT), absent the shocks described above, GDP in 2024 could have reached $31.6 billion (constant 2015 dollars) — three times the actual figure. Similarly, GDP per capita would have been $6,015, also roughly triple its actual 2024 value.

Cumulatively, the Palestinian economy lost an estimated $212.2 billion (in constant 2015 dollars) from 2000 to 2024. This partial, estimated lost potential, equivalent to 19.4 times (or nearly 20 times) the entire Palestinian GDP of 2024, stems directly from Israeli occupation policies, restrictions, closures, and recurrent military operations.

By comparison, the total foreign aid allocated for budget support and development in the same period amounted to $20.8 billion. This figure represents less than ten percent of the estimated partial costs of occupation borne by the Palestinian economy, highlighting a stark imbalance between international assistance and the partial economic costs of occupation estimated in this study.

C. Unrealized Palestinian potential: economic activity in the settlements (2000-2024)

Estimating the economic gains derived by the Israeli economy from settlements in the West Bank provides important insight into the corresponding economic losses incurred by the Palestinian economy, even when differences in production functions and levels of technological sophistication are taken into account. This section estimates the gross domestic product generated by the occupying Power through settlement activity based on the use of Palestinian land and natural resources over the period 2000 to 2024.

The Government of Israel provides substantial incentives to attract settlers and entrepreneurs, including access to land confiscated from Palestinians, reduced land fees for investors, tax benefits, housing subsidies, and various business, industrial zone, and employment subsidies (B'Tselem, 2021). By 2025, over 365 settlements and outposts in the West

Bank (excluding East Jerusalem) housed more than 503,000 Israeli citizens.

A reasonable, lower-bound estimate of the Israeli GDP attributable to West Bank settlements (including East Jerusalem) can be derived by applying their population share to Israel's total GDP. This method assumes that per capita output in settlements equals the national average. However, as a UNCTAD (2022) analysis of nighttime luminosity indicates — which is higher in settlements — this assumption may lead to an underestimation. Nevertheless, this estimate provides a useful metric for gauging the economic scale and significance of Israeli settlements in the occupied West Bank (United Nations, 2025).

Table 5 shows that between 2000 and 2024, the combined population of Israel, occupied East Jerusalem, and settlements elsewhere in the occupied West Bank grew from 6.3 million to 10 million. During this period, the proportion residing in East Jerusalem and West Bank settlements increased from 11 to 12.6 per cent of the total population. The GDP generated by Israel in East Jerusalem and settlements in the occupied West Bank is estimated by applying their population share to the total reported Israeli GDP.

The economic value extracted by Israel from its occupation of East Jerusalem and Area C of the West Bank between 2000 and 2024 is conservatively estimated at $832.7 billion (constant 2015 dollars), equivalent to $1.023 trillion in 2024 dollars. In 2024 alone, annual Israeli economic activity in settlements and East Jerusalem is estimated at $53 billion – equivalent to 4.84 times the total Palestinian GDP for the same year.

The settlement economy is nearly five times larger than the Palestinian economy, both in absolute and relative terms. This pronounced disparity underscores the substantial economic cost borne by the Palestinian population as a result of the systematic denial of access to Area C – home to the West Bank's most critical natural resources, including fertile agricultural land, key groundwater reserves and valuable mineral deposits. These losses are further compounded by the occupation of East Jerusalem, a historic centre of Palestinian social, cultural and economic life, and a major hub of cultural tourism and commercial activity.

Table 6
Trends in key indicators: The West Bank, Settlements, and East Jerusalem (2000–2024)

Year	Israel's real GDP	Israel's population	Population of East Jerusalem and settlements (per cent of total)	GDP of East Jerusalem and settlements
2000	180.8	6 289 000	11.0	19.9
2001	181.0	6 439 000	11.0	19.9
2002	180.6	6 570 000	11.0	19.9
2003	182.7	6 689 700	11.1	20.3
2004	191.7	6 809 000	11.2	21.5
2005	199.7	6 930 100	11.2	22.4
2006	211.2	7 053 700	11.3	23.9
2007	224.1	7 180 100	11.5	25.8
2008	231.8	7 308 800	11.6	26.9
2009	234.5	7 485 600	11.5	27.0
2010	247.8	7 623 600	11.6	28.7
2011	261.5	7 765 800	11.7	30.6
2012	268.9	7 910 500	11.8	31.7
2013	281.8	8 059 500	11.9	33.5
2014	293.4	8 215 700	11.9	34.9
2015	300.1	8 380 100	12.0	36.0
2016	313.5	8 546 000	12.1	37.9
2017	327.2	8 713 300	12.1	39.6
2018	340.2	8 882 800	12.2	41.5
2019	353.1	9 054 000	12.3	43.4
2020	345.5	9 215 100	12.4	42.8
2021	383.2	9 371 400	12.4	47.9
2022	408.2	9 557 500	12.5	51.0
2023	418.1	9 756 600	12.5	52.7
2024	421	10 000 000	12.6	53.0
Total				**832.7**
			Total in 2024 US dollars 1,023 billion	

Source: World Bank, World Development Indicators database for GDP; Palestinian Central Bureau of Statistics for population in East Jerusalem; and B'Tselem for population in settlements.

V

Prospects for recovery in the OPT

The constraints on the Palestinian economy in general, and in Gaza in particular, are not merely a consequence of recent events but are rooted in over 58-year of prolonged occupation and 18 years of closures and restrictions on Gaza.

The path to sustainable development in the Occupied Palestinian Territory requires two fundamental conditions: an end to the occupation and sustained, substantial support from the international community.

Gaza's future remains particularly precarious, amid growing uncertainty regarding its ability to recover and reconstitute itself as a viable and functioning society. Restoring hope and supporting stability will require immediate, coordinated and sustained engagement to respond to urgent humanitarian needs, arrest and reverse long-standing processes of de-development, and create the conditions necessary for economic recovery and the achievement of a just and lasting peace.

A recent joint interim assessment by the European Union, the United Nations, and the World Bank underscores the magnitude of the challenge facing Gaza, estimating recovery and reconstruction needs at approximately $70 billion — an amount exceeding six times the Palestinian gross domestic product in 2024. In this context, immediate and substantial international engagement will be required to halt the ongoing economic decline, address the severe humanitarian crisis, and create conditions conducive to durable peace and sustainable development. This will necessitate the formulation of a comprehensive recovery plan framework for the Occupied Palestinian Territory, grounded in coordinated international assistance, the restoration of predictable and sustainable fiscal transfers to the Palestinian Government, and the implementation of concrete measures to ease longstanding constraints on trade, movement, and investment.

The prospects for sustainable development in Gaza are constrained by the unprecedented scale of destruction and a prevailing vacuum in governance. Given the extent of physical damage and the absence of effective institutional frameworks — particularly in the areas of governance, legal authority and financial administration — there is currently no capacity to lead or coordinate large-scale reconstruction efforts. In the immediate term, the overriding priority will therefore, and necessarily, remain the provision of life-saving humanitarian assistance. This includes securing housing, food and essential supplies; clearing debris and unexploded ordnance; and restoring basic health and education services.

Humanitarian response should, however, be strategically linked to long-term objectives. From the outset, assistance should be designed, to the extent possible to support recovery, development and self-reliance, including through deliberate efforts to source goods and services locally, prioritize employment-intensive interventions, stimulate domestic markets, and invest in durable and modern infrastructure. Such a forward-looking approach is essential to establishing a credible pathway from crisis to stability, supported by coordinated international engagement, the restoration of predictable fiscal flows, and the lifting of restrictions necessary to enable sustainable peace and development.

Drawing on UNCTAD analysis, the following paragraphs outline a hypothetical phased Gaza recovery scenario premised on a $2 billion annual investment over five years. This illustrative framework allocates half the funds ($1 billion) to immediate humanitarian aid (food, medicine, temporary housing) and half to initial reconstruction, covering debris clearance and structural repairs. Projections indicate such an intervention could stimulate the economy, yielding an approximate $500 million annual GDP.

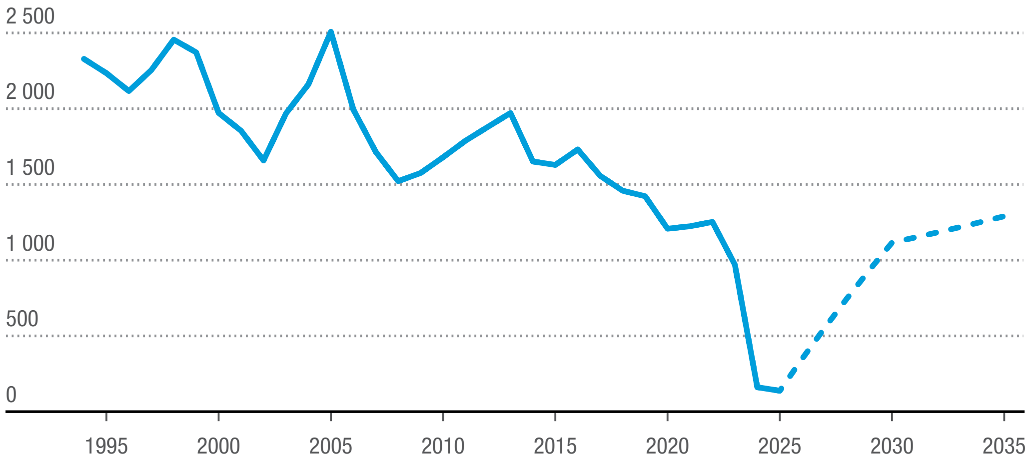
For such growth to be realized and sustained, however, it will depend on the establishment of robust physical infrastructure, the maintenance of peaceful and stable conditions, and the presence of a functional and effective institutional framework. Should these prerequisites be met, Gaza's gross domestic product could recover to its pre-2022 level by 2030, thereby establishing a necessary foundation for subsequent, larger-scale reconstruction capable of absorbing significantly higher levels of investments.

Even following this initial recovery, and assuming that GDP thereafter grows at an average annual rate of 5 percent, full socioeconomic recovery would remain a protracted process. Notably, gross domestic product per capita — a key indicator of individual well-being — is projected to return to its 2022 level only by 2035 under these conditions (or assumptions) underscoring the profound and enduring (or lasting) human cost of the conflict.

Figure 10 illustrates the long-term trajectory of Gaza's GDP per capita from 1994 through a projected recovery to 2035. The chart depicts a sharp decline from 2023 onward, followed by a gradual recovery under a specific set of favorable economic and institutional conditions.

An important caveat to these projections is that GDP per capita, while a useful indicator of economic performance, captures only a limited dimension of overall well-being. It does not reflect income distribution, nor does it account for the extensive depreciation of the capital stock, including the destruction of housing, personal and productive assets, private enterprises and public infrastructure. Moreover, it fails to capture the substantial losses in human capital arising from physical injury, long-term disability and widespread mental health trauma, which together represent a profound and enduring erosion of societal welfare and productive potential.

Figure 12
Gaza: Projected recovery trajectory of GDP per capita (1994–2035)



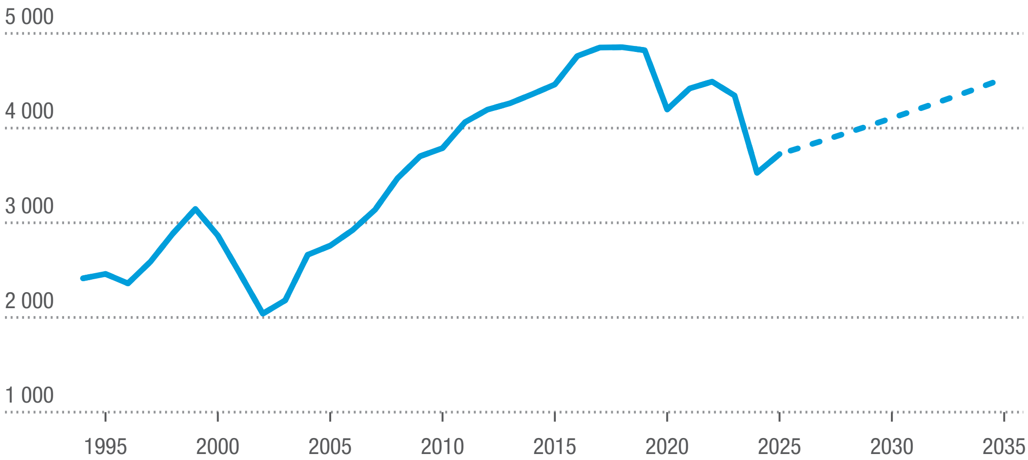
Source: UNCTAD calculations based on the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

Furthermore, restoring Gaza's essential infrastructure and public services is a critical first step to mitigate the humanitarian crisis and revive the economy. To halt the spiral of loss — of jobs, future prosperity, and welfare — immediate efforts must focus on rebuilding Gaza's shattered infrastructure and restoring vital public goods. Beyond emergency relief, unlocking the region's economic capacity for sustainable development and job creation is fundamental. This is the path to restoring dignity and replacing chronic humanitarian dependency with self-reliance.

In the West Bank, a conditional recovery is possible. Yet the economic outlook is contingent on a significant shift in the political and security environment. Assuming an end to the escalated hostilities, a substantial easing of restrictions on the movement of people and goods, and the full and regular release of withheld fiscal revenues to the Palestinian Government, the economy could achieve an average annual growth rate of 4 percent. Under this optimistic scenario, the region’s total GDP could recover to its 2022 level by 2028. However, like Gaza, the recovery in average living standards would lag considerably.

As illustrated in Figure 11, under even the most optimistic assumptions of sustained growth, the West Bank’s GDP per capita is not projected to recover to its 2022 level until 2035. This 13-year lag is a stark indicator of the socioeconomic devastation, highlighting a persistent crisis amplified by population growth and deep-seated economic constraints.

Figure 13
West Bank GDP per capita recovery trajectory, 1994–2035



Source: UNCTAD calculations based on the actual figures from Palestinian Central Bureau of Statistics national accounts data (1994–2024).

The analysis clearly indicates that, throughout the Occupied Palestinian Territory, restoring infrastructure and essential services — particularly in education and health care — is critical to containing and reversing the long-term damage to key development indicators. This includes impacts on mortality rates, school-year loss, mental health, and general well-being. Consequently, there is an urgent need for large-scale recovery programs that prioritize the reconstruction of this foundational infrastructure.

VI

Concluding remarks

This study has assessed and estimated part of the profound and escalating costs of the occupation — costs measured not only in shattered infrastructure but also in suppressed economic potential and eroded human capital. The escalation that began in October 2023 has sharply accelerated a decades-long process of de-development, pushing Gaza to the brink of systemic collapse and undermining the very prospects for its future reconstitution as a viable and functioning society.

The findings of this study point to a clear and inescapable conclusion: sustainable recovery cannot be achieved under the current paradigm of restrictions, fragmentation, and recurrent cycles of violence. The estimated $212.2 billion in lost Palestinian economic potential over 24 years period, together with the approximately $70 billion required for the reconstruction of Gaza, provide a critical — though still partial — measure of the occupation's ongoing economic cost.

The Palestinian people cannot finance their own recovery. Over the past decade, the Palestinian Government achieved significant fiscal progress, reducing its budget deficit as a share of GDP by 88 percent — from 26.1 percent in 2008 to approximately 3 percent by 2023 — an achievement realized despite repeated political, economic and security shocks. This was a remarkable feat amid recurring crises. This progress, however, has largely been reversed as a result of declining economic activity, contracting public revenues, a prolonged reduction in external aid, and the intensification of conflict.

A large-scale infusion of foreign aid will be indispensable to finance the recovery and reconstruction. Beyond meeting urgent humanitarian needs and rehabilitating damaged infrastructure, such support should include immediate and substantial budgetary assistance to the Palestinian Government. Ensuring fiscal sustainability will also require Israel to cease the withholding and unilateral deduction of Palestinian clearance revenues. In parallel, the international community will need to mobilize support at a scale sufficient to prevent a collapse of governance, which could otherwise give rise to widespread instability. To preserve its essential, albeit constrained, governance role, the Palestinian Government requires donor-supported roadmap for fiscal sustainability. Such framework is critical to sustaining the delivery of public services, maintaining aggregate demand through the payment of public sector salaries, and clearing arrears owed to the private sector.

The strategic development of Area C of the West Bank is critical to the future economic viability and prosperity of the Palestinian state envisaged by the international community and numerous United Nations resolutions. Accounting for over 60 per cent of the West Bank's landmass, Area C is not only the region's only contiguous part but also holds its most valuable natural resources and economic potential. Yet it remains inaccessible to Palestinian producers and subject to relentless growth in Israeli settlements. Palestinian access to Area C is key to the two-state solution and unlocking the potential of the Palestinian state.

The West Bank is the backbone of the Palestinian economy, supporting 60 per cent of the population. Realizing its full potential is indispensable for broader prosperity and stability. By collaboratively addressing key economic constraints — especially those affecting trade, investment, and access to natural resources — it is possible to unlock pro-peace, transformative economic growth.

Ultimately, the Palestinian economy cannot recover through piecemeal, precarious, and reversible measures. Sustainable recovery will require the lifting of the system of restrictions in the West Bank and the closure imposed on Gaza, enabling the economy to function normally and to engage freely in trade with the West Bank, East Jerusalem, and the wider global economy.

Temporary measures cannot decisively break the recurring cycle of destruction and partial reconstruction. Nor can there be a credible pathway to sustainable peace in the absence of a permanent ceasefire, the end of the occupation and the realization of the two-State solution, firmly grounded in international law and the relevant resolutions of the United Nations.

References

B'Tselem – Israeli Information Center for Human Rights in the Occupied Territories, "This is ours, and this, too: Israel's settlement policy in the West Bank", 2021. Available at https://www.btselem.org/publications/202103_this_is_ours_and_this_too.

UNCTAD (2019a). The Economic Costs of the Israeli Occupation for the Palestinian People: The Unrealized Oil and Natural Gas Potential. UNCTAD/GDS/APP/2019/1. Aug 2019.

UNCTAD (2019b). World Investment Report 2019 Special Economic Zones. UNCTAD/WIR/2019.

UNCTAD (2020). The Economic Costs of the Israeli Occupation for the Palestinian People: The Impoverishment of Gaza under Blockade. UNCTAD/GDS/APP/2020/1. Dec 2020.

UNCTAD (2021). The Economic Costs of the Israeli Occupation for the Palestinian People: Arrested Development and Poverty in the West Bank. UNCTAD/GDS/APP/2021/2. Dec 2021.

UNCTAD (2022). The Economic Costs of the Israeli Occupation for the Palestinian People: The cost of restrictions in Area C viewed from above. UNCTAD/GDS/APP/2022/1. Dec 2022.

UNCTAD (2023). The Role of China's Pilot Free Trade Zones in Promoting Institutional Innovation, Industrial Transformation and South-South Cooperation. UNCTAD/GDS/2023/5.

UNCTAD (2023). The Role of China's Pilot Free Trade Zones in Promoting Institutional Innovation, Industrial Transformation and South-South Cooperation. UNCTAD/GDS/2023/5.

UNCTAD (2023). The Role of China's Pilot Free Trade Zones in Promoting Institutional Innovation, Industrial Transformation and South-South Cooperation. UNCTAD/GDS/2023/5.

UNCTAD (2024a). Preliminary assessment of the economic impact of the destruction in Gaza and prospects for economic recovery, UNCTAD rapid assessment. UNCTAD/OSG/INF/2024/1.

UNCTAD (2024b). Occupation, fragmentation and poverty in the West Bank. UNCTAD/GDS/APP/2024/1.

UNTCAD (2025). Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory.TD/B/72/3.

United Nations (2016). Security Council resolution 2334. New York. 16 December.

United Nations (2024). 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. A/79/343.

United Nations (2025). Economic costs of the Israeli occupation for the Palestinian people: the post-October 2023 shocks compounding the historical cumulative cost of the occupation of the West Bank. A/80/356.

United Nations, Office for the Coordination of Humanitarian Affairs (2023). West Bank demolitions and displacement: December 2022. February 2023.

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.

ILO (2024). Impact of the war in Gaza on private sector workers and businesses in the West Bank. Available at: https://www.ilo.org/publications/impact-war-gaza-private-sector-workers-and-businesses-west-bank.

UN ESCWA (2023). Gaza war: expected socioeconomic impacts on the State of Palestine. Available at: See https://www.unescwa.org/publications/war-gaza-expected-socioeconomic-impact-palestine.

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/.

ILO (2025). The situation of workers of the occupied Arab territories. Available at: https://www.ilo.org/resource/conference-paper/ilc/113/situation-workers-occupied-arab-territories.