Do Not Choke Off Those Keeping the Economy Alive

How Has the Private Sector Become One of the Palestinian Economy's Last Lines of Defense?

An Analytical Study on the Role of the Private Sector in Economic Recovery

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Introduction

Amid the clearance revenue crisis and declining public spending, the Palestinian private sector has become one of the most important pillars sustaining economic activity. Its role extends far beyond generating profits: it preserves jobs and household incomes, supplies goods and services, meets obligations to suppliers and banks, and contributes taxes and fees to the public treasury. When government salaries and payments decline, household spending falls and businesses' sales contract, weakening their liquidity and their capacity to produce, employ, and invest. The crisis thus moves from the treasury to households and the market, before returning to public finances in the form of lower revenues, higher unemployment, and deeper economic distress.

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Pressure on the private sector is compounded by banking restrictions, the accumulation of surplus shekels, limits on—or the refusal of—some commercial cash deposits, and threats to the correspondent banking relationships needed to process transfers and finance trade and imports. Protecting the private sector and ensuring the continuity of the banking channels on which it depends is therefore not merely a defense of business owners. It is a means of protecting jobs, production, and the flow of goods, household incomes, public revenues, and the Palestinian economy's ability to withstand hardship and continue functioning.

Survey Methodology

The Palestinian Center for Public Opinion (PCPO) conducted this survey from 24 June to 5 July 2026 using computer-assisted telephone interviewing (CATI) and random-digit dialing (RDD). The sample comprised 503 Palestinians aged 18 and above: 67.6% from the West Bank, including East Jerusalem, and 32.4% from the Gaza Strip. The response rate was 65%, and the margin of error for the full sample was estimated at approximately ±4.4 percentage points at the 95% confidence level.

The set of questions concerning the role of the private sector, banking restrictions, and recovery priorities was answered by 300 respondents, yielding an estimated margin of error of approximately ±5.6 percentage points at the 95% confidence level. This methodological distinction is necessary to ensure that the findings are interpreted using the correct calculation base, particularly when comparing indicators of household conditions with those relating to the private sector and economic policy.

An Economy Lives Not Merely by Having Money, but by Keeping It in Motion

The findings begin with a simple economic truth: an economy survives not merely because money exists, but because money moves. A salary becomes spending at a shop, pharmacy, or school. Business revenue becomes a worker's wage, a payment to a supplier, a bank installment, or a tax paid to the treasury. Investment, meanwhile, creates new demand, production, and employment opportunities. When any link in this chain breaks, the disruption does not remain confined to that link; it spreads across the wider economy.

The private sector is therefore more than a collection of business owners. It is the channel that converts liquidity into wages, goods, services, added value, and public revenues. As the popular saying goes, “Movement brings blessing”; it is the circulation of money that gives an economy the ability to operate and endure.

Funds kept outside the economic cycle because of banking restrictions or an inability to deposit or transfer them lose much of their economic function, even if they still exist on paper. Protecting payment channels and enabling businesses to turn over their working capital are therefore essential to preventing a liquidity crisis from becoming a recession in production and employment.

From the Treasury to the Household: A Shock to Income and Living Conditions

The first shock from the clearance revenue crisis is felt at the household level. A total of 70.2% of respondents said that the crisis and delayed salary payments had affected their families’ living conditions to a great or very great extent. The figure rises to 84.7% when those who described the impact as moderate are included.

The most frequently reported effect was a decline in monthly income, cited by 29.8%, followed by increased debt and financial obligations at 26.4%, difficulty covering basic needs at 23.1%, and the postponement of education or healthcare expenses at 7.8%. By contrast, only 12.3% said their households had not been directly affected.

These results become even more significant when viewed alongside income levels. Some 57.3% reported a monthly household income below NIS 2,000, while 27.6% reported an income between NIS 2,000 and NIS 3,999. This means that 84.9% of surveyed households live on less than NIS 4,000 per month.

In such an environment, it does not take a major shock to destabilize a household’s finances: one delayed salary, a sudden price increase, or an unexpected medical expense can lead to new debt or force a family to forgo an essential need.

This vulnerability does not remain within the household. For the market, it means fewer consumers able to buy, more deferred payments and outstanding receivables, and weaker demand for non-essential goods and services. Retailers, service providers, and small and medium-sized enterprises are therefore among the first to feel the consequences of falling incomes and irregular salary payments.

From the Household to the Market: Falling Demand and the Fuel Crisis Put Pressure on the Private Sector

The clearance revenue crisis passes directly from households to the market. Some 83.5% said that delayed or reduced salaries had changed their household spending patterns either substantially or to some extent.

Difficulties in meeting payments were reported for loans and debts by 55.5%, medicines and healthcare by 54.3%, food and basic necessities by 51.9%, education by 48.9%, and utility bills by 41.4%. Because respondents could select more than one answer, these figures reflect the simultaneous burden of several expenses within the same household.

When households are forced to limit their spending to essentials, sales decline at shops, service businesses, and small enterprises; receivables accumulate; and collection periods grow longer. A household income crisis thus becomes a working-capital crisis for businesses, weakening their ability to pay wages, suppliers, loans, and taxes, or to purchase inventory and raw materials. Businesses may also be forced to postpone investment and expansion.

A connected cycle emerges: it begins with withheld clearance revenues, moves through reduced salaries, household spending, and business sales, and ends with lower production, employment, and public revenue. This is consistent with the 90.7% who believed that the crisis had increased poverty and unemployment, and the 92.6% who agreed that it had weakened purchasing power.

The consequences are not confined to current losses. Some 75.5% agreed that a prolonged crisis could push more Palestinians to emigrate or seek work abroad. For the private sector, this represents a double loss: weaker domestic demand and the departure of skilled workers and young professionals, both of which diminish future prospects for recovery and investment.

At the same time, the fuel crisis demonstrates that the private sector is contending not only with weaker demand, but also with disruptions to operating inputs and supply chains. Fuel is essential to transportation, distribution, trade, industry, agriculture, and construction. Shortages therefore delay deliveries, raise the cost of transporting workers, goods, and raw materials, and reduce production hours.

According to statements by the Minister of Finance on 29 July 2026, daily market supplies ranged between 2.8 and 3 million liters, around 75% of which was diesel. He also said that fuel transportation faced an additional bottleneck after 260 of approximately 450 vehicles designated for that purpose were used to meet the needs of the Israeli military.

The crisis is also linked to clearance revenues because Israel collects the fuel excise tax, known as "Belo," and value-added tax on fuel, which should then be transferred as part of the withheld clearance revenues. The fuel crisis therefore provides a clear example of the "constrained Palestinian economic cycle," in which financial and banking restrictions and transport disruptions translate into higher costs and lower production, employment, and liquidity in the private sector.

The Private Sector in the Eyes of the Public: A Pillar of Resilience

The findings show that the public does not regard the private sector as a marginal actor or the sole beneficiary of support policies. Among 300 valid responses, 74% agreed that the private sector had played an essential role in keeping the economy functioning during recent crises: 43% strongly agreed and 31% agreed to some extent.

In addition, 72% said that maintaining private-sector activity helps reduce unemployment and poverty; 71% believed that revitalizing it is the fastest way to restart the economic cycle; and 62.7% said that supporting it benefits all citizens, not only business owners.

These findings do not imply granting businesses unconditional privileges or exempting them from oversight and responsibility. Rather, they point to the need to distinguish between supporting private profit and protecting the broader economic function of an enterprise.

A company that continues producing does not protect its owner alone: it safeguards a worker's income, a household's demand, a supplier's sales, a borrower's ability to repay, and the treasury's revenue. When that company falters, the loss spreads to a much wider network and may turn a temporary liquidity problem into long-term unemployment, poverty, and credit distress.

The survey findings support this interpretation. Some 70.2% said that the clearance revenue crisis affects all Palestinians directly or indirectly, while 59.2% selected all the listed groups as being affected, including public-sector employees, poor households, unemployed people, and private companies.

Another 57.7% selected all the anticipated risks together: irregular salary payments, higher prices, job losses, increasing poverty, and deteriorating public services. This means that citizens do not see a series of separate problems, but one crisis whose components interact with and reinforce one another.

The Constrained Palestinian Economic Cycle as an Analytical Framework

This interconnectedness can be explained through the concept of the "constrained Palestinian economic cycle." The term describes an economy in which labor, incomes, goods, finance, and investment do not move according to market mechanisms alone; instead, their movement is repeatedly disrupted by political, fiscal, and banking restrictions, the withholding of revenues, the surplus of shekels, instability in correspondent banking relationships, supply disruptions, and weak domestic demand.

The fuel and bank-deposit crises illustrate these constraints in practice. Disrupted fuel supplies raise transport and production costs and delay the arrival of goods and raw materials, while restrictions on—or the refusal of—shekel deposits prevent businesses from converting cash sales proceeds into usable working capital.

A company may therefore have merchandise, revenue, and the capacity to produce, yet still be unable to keep its operations moving or meet its obligations. This is the essence of the "constrained Palestinian economic cycle."

In this model, an economic shock is not a passing event that ends when one cause disappears. Instead, it moves from the structural level to the market, the enterprise, and the household, then feeds back into the economy and makes it more vulnerable.

The survey results support this explanation: 92.6% confirmed that the crisis had weakened purchasing power; 90.7% believed it had increased poverty and unemployment to a great or moderate extent; and 88.3% said banking restrictions had at least a moderate effect on companies' ability to continue operating.

This framework also helps explain why simply asking companies to adapt is insufficient. A business may be able to cut expenses, postpone expansion, or reduce inventory for a limited period, but it cannot release clearance revenues, guarantee payment channels, resolve the shekel surplus, secure fuel supplies, or offset a collapse in demand on its own.

When enterprises are left to confront such structural constraints using only their individual resources, the usual result is that costs are passed on to workers, suppliers, and consumers—or that activity is reduced and firms leave the market altogether.

Banking Restrictions and the Consequences of Business Contraction

Banking restrictions are no longer a separate technical matter; they now directly affect companies' ability to remain in business. Among respondents who provided valid answers, 65.7% said the restrictions had a great or very great impact on business operations, rising to 88.3% when those who reported a moderate impact are included.

This finding does not conflict with the importance of safeguarding the financial system and combating money laundering and terrorist financing. It does, however, underscore the need for oversight to be proportionate to risk and to the nature of the business activity, without obstructing legitimate cash flows needed to pay wages, suppliers, taxes, and loans.

In practice, the crisis is evident in restrictions imposed by some banks—or their refusal to accept cash deposits in shekels—from merchants and businesses, even when the funds represent legitimate and documented sales proceeds. This disrupts working capital and forces companies to hold cash, increasing storage and transport risks and limiting their ability to meet obligations.

Personal and business accounts should therefore be treated differently, with deposit limits determined according to an enterprise's size, type of activity, and documented cash flows.

The risks are magnified by threats to the correspondent banking relationships between Palestinian and Israeli banks. These channels processed transactions worth approximately NIS 51 billion in 2025, equivalent to around US$16.5–16.6 billion.

Moreover, 90% of Palestinian exports go to Israel, while imports come either from Israel or through it, with approximately 60% originating directly in the Israeli market. A disruption to correspondent banking would therefore mean more than delayed transfers: it could interrupt payments for food, fuel, medicine, energy, and raw materials, while increasing financing, transport, and consumer costs.

There is no contradiction between banking stability and the continuity of the real economy. Banks need viable companies that generate income and repay their obligations, while companies need a stable banking system that provides deposit, financing, and payment services.

If de-risking measures weaken productive enterprises, banking risks themselves may rise as defaults increase and credit quality deteriorates.

Public expectations confirm this multiplier effect. Some 57.3% of valid respondents believed that a contraction in business activity would lead collectively to higher unemployment, lower incomes, weaker purchasing power, and an economic slowdown.

Conversely, 56% expected an improved private-sector environment to increase employment opportunities, incomes, investment, and economic activity. A struggling enterprise is therefore not a private concern alone; its difficulties affect workers, households, suppliers, banks, and the public treasury.

Recovery Requires an Integrated Package

Palestinians do not believe that a single institution or measure can lead the recovery. Among those who gave valid answers, 36% selected the government, the private sector, banks, and international institutions together as the actors needed to drive the economy.

In addition, 46.7% selected all the proposed priorities—government spending, private-sector support, job creation, and better public services—while 26.7% gave sole priority to creating employment opportunities.

When asked which measure would be most effective, 49.3% selected an integrated package combining measures to facilitate private-sector activity, resolve the clearance revenue crisis, address the shekel surplus, and support small enterprises.

A further 53.3% said the recovery plan should cover all productive sectors rather than confining support to a single activity. These findings reveal the public's rejection of piecemeal solutions: financing a business is of little benefit if demand remains depressed; resolving the shekel surplus is insufficient if transfer channels are disrupted; and employment support cannot succeed if overdue government payments remain outstanding or restrictions fail to take account of the nature of business activity.

Views of the future combine recognition of external constraints with an awareness of the need for domestic reform. Some 36.3% believed that the economy would continue to face hardship until political conditions changed, while 30.7% said it required comprehensive economic reforms.

Together, these views account for 67%, suggesting that recovery requires two parallel tracks: easing political and structural restrictions on the one hand, and improving governance, transparency, the business environment, and liquidity flows on the other. Neither track should be used as a pretext for postponing the other.

A National Agenda to Protect the Economic Cycle

"Protecting Those Who Produce Means Protecting the Entire Economy"

The national agenda must begin by establishing a permanent, institutionalized economic dialogue involving the government, the Palestine Monetary Authority, banks, chambers of commerce, industrial federations, and representatives of small and medium-sized enterprises.

The survey results support this approach: 36% of respondents who provided valid answers selected the government, private sector, banks, and international institutions together as the actors needed to drive the economy, confirming that recovery requires a national partnership rather than unilateral action.

This dialogue should assess the effects of policies on production, employment, liquidity, and prices before harm occurs, guided by a clear principle:

"**Economic prevention costs less than crisis management**."

This mechanism must be accompanied by banking policies suited to the nature of business activity. They should distinguish between personal and business accounts and take into account the enterprise's size, sector, and documented cash flows.

This is especially important given that 65.7% said banking restrictions had a great or very great impact on companies' ability to continue operating, rising to 88.3% when moderate impact is included.

Clear and stable rules are essential if businesses are to plan and meet their obligations, under the principle:

"**A business account needs rules designed for business**."

Addressing the shekel surplus also requires safe and flexible channels for deposits and transfers, alongside a gradual and carefully planned expansion of electronic payments that reflects the market's readiness.

This is consistent with the 49.3% who selected an integrated package combining measures to facilitate private-sector activity, resolve the clearance revenue crisis, address the shekel surplus, and support small enterprises.

Digital transformation is a supporting tool, but it must not deny legitimate cash-based activities access to the banking system, because:

“**Liquidity that cannot move cannot produce**.”

Small and medium-sized enterprises also need credit guarantees and working-capital financing tied to preserving jobs and maintaining production, together with realistic debt rescheduling and faster payment of government arrears owed to the private sector.

The findings support this approach: 72% believed that continued private-sector activity helps reduce unemployment and poverty, while 71% regarded its revival as the fastest way to restart the economic cycle.

Support, however, must not become additional debt in a market where demand is weak. The rule should be:

“**Finance production—do not accumulate debt**.”

New financial and banking restrictions must also undergo a prior economic impact assessment. Some 57.3% believed that a contraction in business activity would lead collectively to higher unemployment, lower incomes, weaker purchasing power, and a slowing economy.

In addition, 53.3% selected all productive sectors as deserving priority in a recovery plan, confirming that a decision that harms one enterprise or sector may transmit its effects across the entire economy.

The governing principle should therefore be:

“**No economic restriction without an impact assessment**.”

Ultimately, the national agenda rests on one unifying message:

“**Keep liquidity moving, protect production, and preserve jobs**.”

Conclusion

The clearance revenue crisis has evolved from a problem affecting public revenues and the regular payment of salaries into a comprehensive crisis touching income, consumption, production, and employment.

Instability in correspondent banking relationships makes it even more dangerous because of the disruption it could cause to payments, trade, supply chains, and prices. At the center of this cycle stands the private sector, linking money, labor, goods, and taxes. It is neither a substitute for the state nor exempt from responsibility, but it is a partner without which the economy cannot continue to function.

Protecting the private sector does not mean defending a particular group or relaxing banking standards. It means providing stable legal safeguards, risk-proportionate oversight, and payment and deposit channels that enable legitimate commercial activity to continue.

When businesses remain productive and operational, they protect jobs, household incomes, and the availability of goods, banking stability, and public revenues. When they falter, the cost is transferred to society and the economy as a whole.

Do not choke off those keeping the economy alive.

The private sector has become one of the most important foundations of economic and social resilience in a time of crisis. Protecting it and ensuring the continuity of the banking channels on which it depends is therefore not a privilege, but a necessity for sustaining the flow of income, production, employment, goods, and public revenues—and a realistic starting point for any Palestinian economic recovery.

About the Author

Dr. Nabil Kukali is a Palestinian public opinion research expert and the founder and president of the Palestinian Center for Public Opinion (PCPO).

He has more than three decades of experience in survey design, analyzing public attitudes, and conducting social, political, and economic research in Palestine and the wider region.