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Assumptions and Conventions

A number of assumptions have been adopted for the projections presented in the *Regional Economic Outlook: Middle East and Central Asia*. It has been assumed that established policies of national authorities will be maintained; that the price of oil will average US$52 a barrel in 2009 and US$62.5 in 2010; and that the six-month London interbank offered rate (LIBOR) on U.S. dollar deposits will average 1.5 percent in 2009 and 1.4 percent in 2010. These are, of course, working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would in any event be involved in the projections. The 2008 data in the figures and tables are estimates. These estimates for 2008 and projections for 2009 and 2010 are based on statistical information available through end-March 2009.

The following conventions are used in this publication:

- In tables, ellipsis points (. . .) indicate "not available," and 0 or 0.0 indicates "zero" or "negligible." Minor discrepancies between sums of constituent figures and totals are due to rounding.
- An en dash (–) between years or months (for example, 2007–08 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2007/08) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2008).
- "Billion" means a thousand million; "trillion" means a thousand billion.
- "Basis points (bps)" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

As used in this publication, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

This report on the *Regional Economic Outlook: Middle East and Central Asia* is available in full on the IMF's Internet site, www.imf.org.

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Country and Regional Groupings

The May 2009 *Regional Economic Outlook: Middle East and Central Asia* (REO), covering countries in the Middle East and Central Asia Department (MCD) of the International Monetary Fund (IMF), provides a broad overview of recent economic developments in 2008 and prospects and policy issues for the remainder of 2009 and 2010. To facilitate the analysis, the 30 MCD countries covered in this report are divided into three groups: Middle Eastern oil-exporting countries, Middle Eastern oil-importing countries, and Caucasus and Central Asia countries. The country acronyms used in some figures are included in parentheses.

Middle Eastern Oil Exporters (MEOEs) comprise Algeria (DZA), Bahrain (BHR), Iran (IRN), Iraq (IRQ), Kuwait (KWT), Libya (LBY), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), Sudan (SDN), the United Arab Emirates (U.A.E.), and Yemen (YMN).

Middle Eastern Oil Importers (MEOIs) comprise Afghanistan (AFG), Djibouti (DJI), Egypt (EGY), Jordan (JOR), Lebanon (LBN), Mauritania (MRT), Morocco (MAR), Pakistan (PAK), Syria (SYR), and Tunisia (TUN).

Caucasus and Central Asia (CCA) countries comprise Armenia (ARM), Azerbaijan (AZE), Georgia (GEO), Kazakhstan (KAZ), the Kyrgyz Republic (KGZ), Tajikistan (TJK), Turkmenistan (TKM), and Uzbekistan (UZB).

In addition, the following geographical groupings are used:

The GCC (Gulf Cooperation Council) is composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The Maghreb comprises Algeria, Libya, Mauritania, Morocco, and Tunisia.

The Mashreq comprises Egypt, Jordan, Lebanon, and Syria.

MENAP (Middle East and North Africa, Afghanistan, and Pakistan) refers to the following countries covered by MCD: Afghanistan, Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen.

Executive Summary

The Regional Economic Outlook: Middle East and Central Asia (REO) is prepared every six months by the Middle East and Central Asia Department (MCD) of the International Monetary Fund. The last REO was published in October 2008, just as the global economic crisis was breaking, when it was not yet clear how it would manifest itself around the world and affect the countries in the region. The scale and reach of the economic downturn is now much more evident. This REO, therefore, focuses on how the evolving crisis is affecting countries in the Middle East and Central Asia.

The Middle East and Central Asia region comprises a diverse set of countries, ranging from some of the poorest countries in the world to some of the richest, from oil and commodity exporters to oil importers, from countries on the Atlantic coast with strong links to Europe to countries in Central Asia with ties to Russia and lands farther east. The global crisis is meanwhile spreading around the world in many different ways. Ironically, the one channel through which the downturn is not affecting the MCD region in any significant way is through direct exposure to financial stress (and "toxic" assets) in the United States and Europe. The downturn is instead affecting the region through three indirect channels:

- the sharp drop in oil prices, which is shrinking revenues for oil exporters, as well as import costs for oil importers;
- the contraction in global demand, trade, and related activity, which is lowering exports, tourism, and remittances; and
- the tightening of international credit markets and lower investor appetite for risk, which is affecting capital inflows, depressing local asset prices, and reducing investment.

These factors are weighing on MCD countries in different ways, depending on where they are and what they do. The drop in oil prices has most directly affected the oil-exporting countries, whose oil revenues in 2009 will be less than half what they were in 2008. Lower oil prices are, by contrast, helping to reduce import costs for oil-importing countries, offsetting to some extent the decline in their own export receipts. Countries in the Caucasus and Central Asia, many of which are commodity exporters and are suffering from lower commodity prices, have also been affected by the sharp economic downturn in Russia.

In view of these differences, and in order to better analyze the effects of the crisis, this REO has divided the countries of the Middle East and Central Asia region into three subregions: Middle Eastern oil exporters (MEOEs), Middle Eastern oil importers (MEOIs), and the Caucasus and Central Asia (CCA).

Highlights of the REO are shown overleaf. The bottom line is that nearly all countries in the region will be seriously affected by the global crisis in important but different ways. Because of their different starting conditions, for example, outstanding debt levels or inflation rates, some countries may have more room than others to adjust policies to resist the downturn.

In sum, countries that can afford to maintain or enhance spending, such as many of the oil and commodity exporters, can and should do so. Other countries in the Middle East will be more fiscally constrained, but most countries will have some scope to loosen monetary policy. All countries will need to keep a close eye on conditions in their banking systems. And some countries will need to allow greater flexibility in their exchange rates.

Highlights

The countries in the Middle East and Central Asia region grew strongly in 2008, but the global crisis is now affecting these countries, and economic and financial vulnerabilities are rising.

- The downturn in the advanced economies and the drop in international commodity prices since the fall of 2008 have hit export earnings, investment flows, and remittances.
- Economic growth in the MCD countries could slow to 2½ percent in 2009 from 6 percent in 2008.

Despite lower oil revenues, many Middle Eastern oil-exporting countries (MEOEs) are expected to maintain their spending programs, which will contribute an important stimulus to global demand.

- The external current account of the MEOEs as a whole could record a deficit of $10 billion in 2009, compared with a surplus of $400 billion in 2008.
- Inflation is coming down sharply from the peaks recorded in the summer of 2008, in line with lower food and fuel prices.
- A few MEOEs have seen problems emerge in their banking systems, but the authorities have acted swiftly to deal with them through capital injections and liquidity measures.

Oil-importing countries in the Middle East and North Africa (MEOIs) will be particularly affected by the slowdown in Europe.

- Many MEOIs that have high debt levels lack sufficient fiscal space to undertake countercyclical expenditure and thereby cushion the impact of lower external inflows.
- With inflation coming down, there is more room for monetary easing.
- In some MEOI countries, rising unemployment will likely intensify poverty and other social pressures, and increase the need to enhance social safety nets.

Countries in the Caucasus and Central Asia (CCA) are suffering from lower commodity prices and adverse economic developments in Russia.

- Countries in the CCA tend to have relatively low debt levels and therefore have scope to support domestic demand through higher public spending.
- CCA countries' exchange rates need to be more flexible because the Russian ruble has depreciated.
- Continued vigilance over the financial systems of some CCA countries will be necessary.

The global slowdown could be longer and more severe than expected (Box 1); country authorities should prepare for this contingency.

- MCD countries may need to support domestic demand for a longer period, strengthen financial systems further, and develop crisis management frameworks.
- For low-income countries, increased donor financing will be necessary to maintain needed economic development.

Box 1. World Economic Outlook[1]

The global credit crunch has set off by far the deepest worldwide recession since the Great Depression. World economic activity is projected to decline 1.3 percent in 2009. All corners of the globe are being affected: output per capita is projected to decline in countries representing three-quarters of the global economy, and growth in virtually all countries has decelerated sharply from rates observed in 2003–07. Growth is projected to reemerge in 2010, but at 1.9 percent would still be well below potential. These projections build in fiscal stimulus plans in G-20 countries amounting to 1¾ percent of GDP in 2009 and 1¼ percent of GDP in 2010, as well as the operation of automatic stabilizers in most of these countries.

Table 1.1. Overview of the *World Economic Outlook* Projections

(Percent change, unless otherwise noted)

	2007	2008	Projections 2009	Projections 2010
World output	**5.2**	**3.2**	**-1.3**	**1.9**
Advanced economies	2.7	0.9	-3.8	0.0
Of which: United States	2.0	1.1	-2.8	0.0
European Union	3.1	1.1	-4.0	-0.3
Emerging and developing economies	**8.3**	**6.1**	**1.6**	**4.0**
Of which: Middle East and Central Asia	6.6	5.8	2.5	3.8
Commonwealth of Independent States	8.6	5.5	-5.1	1.2
Of which: Russia	8.1	5.6	-6.0	0.5
World trade volume (goods and services)	**7.2**	**3.3**	**-11.0**	**0.6**
Commodity prices (U.S. dollars)				
Oil	10.7	36.4	-46.4	20.2
Nonfuel (average based on world commodity export weights)	14.1	7.5	-27.9	4.4

The advanced economies are projected to suffer deep recessions. Overall output is projected to contract by 3¾ percent in 2009. Among the major economies, the United States and the United Kingdom will continue to suffer most severely from credit constraints. The euro area will suffer an even deeper decline in activity than the United States as the sharp contraction in export sectors increasingly curtails demand.

Continuing stress and balance sheet adjustment in mature markets will have serious consequences for financing to emerging economies. Overall, emerging markets are expected to experience net capital outflows in 2009 of more than 1 percent of their GDP. Emerging and developing economies as a group are still projected to eke out a modest 1½ percent growth in 2009, rising to 4 percent in 2010. However, real GDP would contract across a wide swathe of countries in 2009. The biggest output declines are projected in the Commonwealth of Independent States countries, most notably Russia, as a reversal of capital flows has punctured credit booms and commodity export revenues have dwindled.

The dominant downside risk to this scenario is that policies will be insufficient to arrest the negative feedback between deteriorating financial conditions and weakening economies. As activity contracts across the globe, the threat of rising corporate and household defaults will imply still-higher risk spreads, further falls in asset prices, and greater losses across financial balance sheets. The risks of systemic events will rise, the task of restoring credibility and trust will be complicated, and the fiscal costs of bank rescues will escalate further.

Against this scenario must be balanced an upside potential to the outlook. Bold policy implementation that is able to convince markets that financial strains are being decisively dealt with could set off a mutually reinforcing "relief rally" in markets, a revival in business and consumer confidence, and a greater willingness to make longer-term spending commitments. The problem is that the longer the downturn continues to deepen, the slimmer the chances that such a strong rebound will occur, as pessimism about the outlook becomes entrenched and balance sheets are damaged further.

[1] See *World Economic Outlook* (IMF) April 2009 for more information.

I. Middle Eastern Oil Exporters: Continued Spending Supports the Global Economy

The global crisis has affected the MEOEs mainly through the sharp fall in oil prices and the tightening of credit conditions. Despite the decline in oil revenues, most countries of the group are maintaining capital spending at a high level. This spending is providing an important stimulus to global demand, but will result in a turnaround in MEOEs' external positions from a massive collective surplus of $400 billion last year to a deficit of $10 billion in 2009. With credit to the private sector declining and financial risks rising, the authorities have acted swiftly and forcefully to ease domestic liquidity conditions and support banking systems. In view of the downside risks to the outlook, especially of a prolonged global recession and/or deteriorating balance sheets in MEOE financial sectors, countries need to enhance oversight of the financial system and support economic activity while preserving fiscal sustainability.

Middle Eastern Oil-Exporting Countries

The oil exporters comprise 12 countries: the six countries of the Gulf Cooperation Council (GCC—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates) and Algeria, Iran, Iraq, Libya, Sudan, and Yemen. Together, they account for 65 percent of global oil reserves and 45 percent of natural gas reserves. The countries are mainly exporters of oil, gas, and refined products, with oil and gas contributing about 50 percent to GDP and 80 percent to revenue. They are diverse and differ substantially in terms of per capita GDP, which in 2008 ranged from $1,200 in Yemen to over $70,000 in Qatar. The GCC subgroup is relatively homogenous, however, with similar economic and political institutions and relatively less diverse per capita incomes.

Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

Note: This chapter was prepared by Abdelhak Senhadji, Khaled Sakr, and Joshua Charap, with research support from Arthur Ribeiro da Silva.

Precrisis boom

With high oil prices and strong global investor interest in the region, the MEOEs grew on average by a robust 5¾ percent a year between 2005 and 2008. These countries launched huge investment projects to pursue economic diversification and human capital development through investments in oil and gas and infrastructure, as well as in petrochemicals, tourism, financial services, and education. As a result, non-oil growth averaged about 6½ percent a year over the same period. In addition, they saved from their record-high export receipts—the external current account surplus averaged over 21 percent of GDP during 2005–08, enabling these countries to accumulate $1.2 trillion in foreign assets and reduce government external debt. Given these favorable conditions, the financial systems appeared sound: banks made large profits, had high capital adequacy ratios, and reported low nonperforming loan ratios.

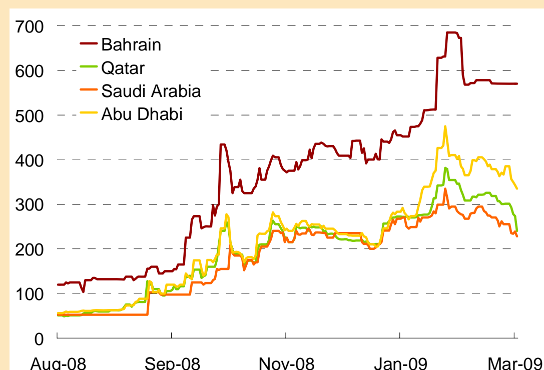
Asset prices are down

With the onset of the global crisis, financial sector risks in the MEOEs are rising. During the boom years, banks had lent substantial amounts for real estate and equity purchases. The value of these assets has since fallen sharply. Reflecting a general increase in financial risks, credit default swap (CDS) spreads on sovereign debt and the rollover risk of foreign debt have increased sharply (Figure 1). In addition, in the last quarter of 2008 corporate profits fell significantly. These trends are likely to weaken banks' balance sheets and feed back to the real economy.

While the direct exposure of MEOEs to U.S. financial distress has been limited, the process of global deleveraging led to a severe tightening of credit conditions, particularly in countries with financial systems that are more integrated with global markets (for example, the GCC). Countries that were highly leveraged and dependent on foreign lines of credit were affected the most—in Dubai, for example, CDS spreads reached almost 1,000 bps as investors' concerns about rollover risks mounted.

Figure 1. Credit Default Swaps

(In basis points; August 1, 2008–March 26, 2009)

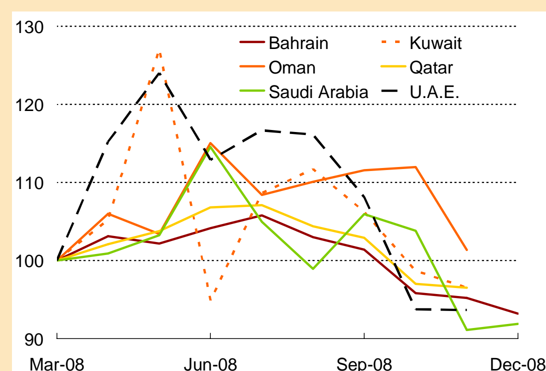


Sources: Markit; and CMA Datavision.

Local real estate and equity prices in the GCC had already begun to correct in the summer of 2008 (Figure 2).[1] The correction accelerated with the intensification of the global financial crisis in September 2008. Dubai, where valuations were not aligned with fundamentals, was particularly affected (Figure 3). By the end of 2008, a large outflow of speculative capital took place: a reversal of inflows

Figure 2. Real Estate Price Index

(Index, March 2008=100)

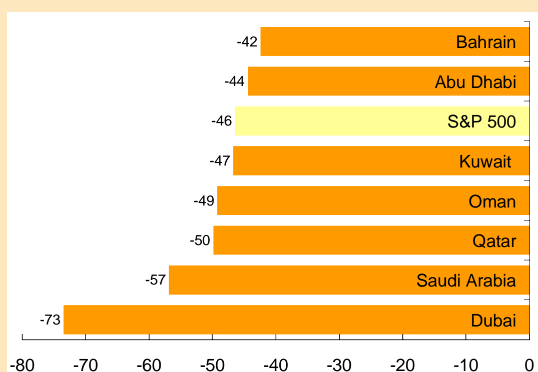


Source: Mazaya.

[1] For a discussion of real estate markets in the MCD region, and the risks associated with the rapid price increases observed through the spring of 2008, see the MCD *Regional Economic Outlook*, May 2008.

Figure 3. MEOEs: Change in Stock Market Indices

(In percent; January 1, 2008–March 30, 2009)



Source: Bloomberg.

that had been accumulating since late 2007 in anticipation of an appreciation of the GCC currencies while oil prices were still high and inflation was rising. As oil prices and inflation began to fall, these expectations receded.

In those MEOEs where financial systems were affected by the global crisis, the authorities responded forcefully to stabilize the interbank market and to restore liquidity (Table 1). Following the tightening of liquidity conditions in the last quarter of 2008, all GCC and some non-GCC central banks provided direct injections of liquidity into the banking system, supplemented by deposits from government institutions and other measures to ease liquidity conditions. To shore up investor confidence, some governments provided guarantees for deposits at commercial banks (Kuwait, Saudi Arabia, and U.A.E.), and sovereign wealth funds (SWFs) were asked to support domestic asset prices and provide capital injections for banks. Despite the policy response, credit markets remain impaired in many countries, largely reflecting global uncertainty, and there is some evidence that even investors with profitable projects are finding it difficult to obtain financing.

Slower growth, but contributing substantially to global demand

GDP growth rates of the MEOEs are expected to decline significantly (Table 2). Oil production has been cut back, as the Organization of Petroleum Exporting Countries is attempting to stabilize prices in response to the lower demand for oil. The slowdown in non-oil growth should be moderated by plans to maintain public expenditure, as well as by the easing of monetary policy.

Table 1. Middle Eastern Oil Exporters: Summary of Crisis Response Measures

(In percent)

	Financial Sector				Macroeconomic	
Country	Deposit guarantees[1]	Liquidity support	Capital injections	Equity purchases	Monetary easing	Fiscal stimulus
GCC						
Bahrain		✓			✓	
Kuwait	✓	✓	✓	✓	✓	
Oman		✓		✓	✓	
Qatar		✓	✓	✓		
Saudi Arabia	✓	✓			✓	✓
U.A.E.	✓	✓	✓		✓	
Other						
Algeria					✓	✓
Iran		✓				
Libya					✓	✓
Yemen					✓	

Source: Data provided by country authorities.

[1] Includes expansion of retail deposit insurance and guarantee of wholesale liabilities.

Table 2. Growth and Inflation, 2007–10

(In percent)

	GCC				Other				Total			
	2007	2008	Proj. 2009	Proj. 2010	2007	2008	Proj. 2009	Proj. 2010	2007	2008	Proj. 2009	Proj. 2010
Real GDP growth	5.1	6.4	1.3	4.2	6.8	4.5	3.1	3.4	6.0	5.4	2.3	3.8
Oil[1]	1.0	4.5	-4.3	3.5	1.4	0.6	-2.9	-1.0	1.2	2.4	-3.5	1.1
Non-oil[1]	6.9	7.2	3.2	3.9	7.6	5.3	4.2	3.8	7.3	6.1	3.7	3.8
Inflation	6.3	10.7	5.3	4.8	13.7	19.9	13.9	11.6	10.3	15.6	10.0	8.5

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1] Excludes Sudan.

The external current and fiscal account positions of the oil producers are projected to weaken substantially (Figures 4 and 5). With the group as a whole expected to broadly maintain import levels, the combined current account balance is projected to shift from a surplus of $400 billion in 2008 to a deficit of $10 billion in 2009. While some countries (e.g., Bahrain, Oman, Sudan, and Yemen) may need to reduce their imports because their net external asset position is less favorable, their contribution to world demand is relatively small.

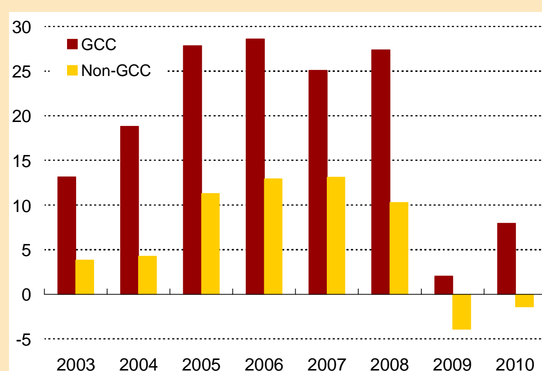
By keeping up their imports, the MEOEs are thus contributing importantly to global demand and acting as stabilizers during the global downturn. Their contribution to global demand is reflected in the doubling of the GCC share in world imports during 2003–10, and most notably the sharp increase in this share during 2009–10 (Figure 6).

Significant downside risks to the outlook

A major risk to the economic outlook is the possibility of a prolonged global recession. This would keep oil demand and prices low. If MEOE governments come to believe that oil prices will remain depressed for a prolonged period of time, they are likely to reduce their spending to maintain fiscal sustainability. A prolonged economic

Figure 4. MEOEs: Current Account Balance

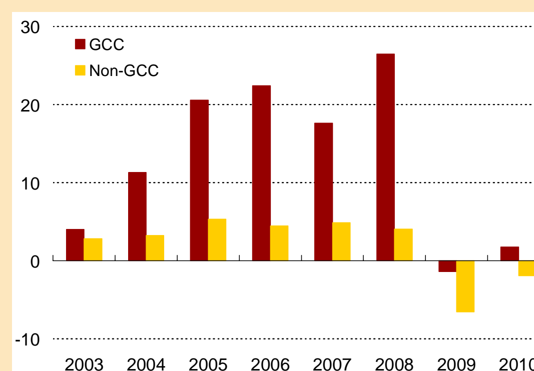
(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 5. MEOEs: Government Fiscal Balance

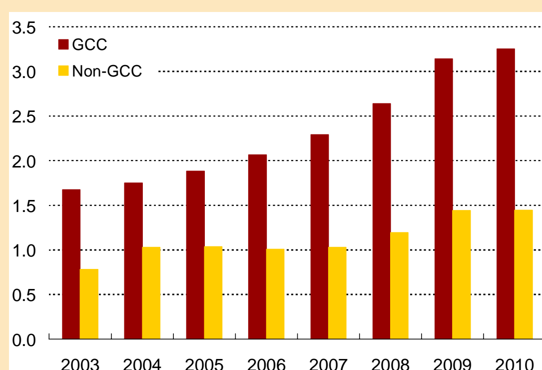
(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 6. Imports of Goods and Services

(In percent of world imports)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

slowdown in the MEOEs would in turn translate into lower growth in neighboring trading partners (notably Egypt, Jordan, Lebanon, Pakistan, and Syria) because of less trade and regional tourism; lower demand for foreign labor and, consequently, lower remittances; and a decline in foreign direct investment (FDI) flows to other countries in the region.

Another key risk that would delay economic recovery is a sharp deterioration in the balance sheets of financial institutions. A key driver would include further asset price deflation, particularly in countries whose banks have large direct or indirect exposures to equity and real estate markets. This could result in a negative feedback loop between the real and financial sectors: limited access to credit and declining aggregate demand affect loan repayments, falling loan repayments weaken banks' balance sheets, banks react by curtailing credit to the private sector, aggregate demand falls further, and the number of nonperforming loans increases.

Indeed, financial risks may be higher than observed so far. Capital adequacy ratios in most countries were high going into the crisis. And there have been improvements in supervisory and regulatory frameworks of many countries, but they could fall short in some countries, including where credit growth was very high. Available financial soundness indicators (FSIs) (Table 3) show healthy banking systems in GCC countries, but these indicators may not fully capture risks posed by high credit growth

Table 3. Banking Sector Performance and Soundness

(In percent)

	Nonperforming Loans	Capital Adequacy	Provisioning Rate	Return on Assets	Return on Equity
GCC					
Bahrain[1]	2.3	18.1	83.0	1.3	16.9
Kuwait[2]	3.1	16.0	84.7	3.2	27.8
Oman[3]	3.2	15.9	107.6	2.1	14.7
Qatar[2]	1.2	15.5	82.8	2.9	21.2
Saudi Arabia[4]	2.1	20.6	142.9	2.8	30.5
U.A.E.[5]	2.5	13.3	101.5	2.3	21.1
Non-GCC					
Algeria[3]	22.1	12.9	88.8	1.1	24.6
Libya[3]	25.0	15.5	66.5	0.4	8.0
Sudan[6]	22.4	10.5	20.0	3.0	23.3
Yemen[5]	18.0	9.4	43.9	0.9	12.2

Sources: *Global Financial Stability Report*; and country authorities.

[1] End-2008 and includes only conventional retail banks.
[2] December 2008.
[3] End-2007.
[4] End-2006 for return on equity; otherwise end-2007.
[5] End-June 2008.
[6] End-2008.

and concentration in real estate. FSIs are available with a lag, tend to be backward looking, and the averages mask the distribution across banks. In the non-GCC MEOEs, the relative weakness in the indicators predates the crisis and reflects structural factors, for example, the use of moral suasion to induce banks to lend to government-sponsored entities (e.g., Iran). As the availability of financing decreases, the likelihood of more directed lending increases, with potentially adverse effects on the health of the banking system.

Where there is fiscal space, use it

By keeping fiscal spending up where there is the fiscal space to do so, despite falling revenue, most MEOEs have been able to mitigate the effect of the crisis on their domestic economic activity. This has helped avert an exacerbation of the negative feedback loop between financial conditions and the real sector and has supported growth elsewhere in the region and globally. Fiscal policies will need to strike a balance between supporting domestic demand and adjusting to lower oil revenue (for an uncertain period of time). Most countries of the group envisage maintaining investment expenditure, although some have indicated they would reduce outlays if faced with further revenue shortfalls. Saudi Arabia has announced the largest fiscal stimulus package among the G-20 for 2009–10 and a $400 billion investment plan over five years. In general, countries with adequate fiscal space should continue to stimulate domestic demand. Expenditures should be limited to reversible measures and focused on high-quality investment. Capacity expansion decisions in the oil sector should continue to be based on the long-term outlook for global demand, in order to minimize large fluctuations in oil prices, serve the strategic interest of exporters, and contribute to global economic stability.

In countries with more limited fiscal space, expenditure prioritization will be necessary to maintain fiscal sustainability, especially if oil prices remain at their current level for a prolonged period. A few countries have taken measures to consolidate their fiscal positions, especially in view of the scarcity of external financing. Some countries—notably Iran, Sudan, and Yemen—were already in deficit in 2008 and are planning to significantly reduce expenditures to preserve fiscal sustainability. For example, the Iranian administration has proposed to parliament a significant increase in energy prices. In Yemen, the authorities issued a decree cutting many expenditure items and have reduced energy subsidies to industry. In Sudan, transfers to the provinces have declined, reflecting lower oil receipts, and the authorities are considering increasing excise taxes on luxury items and rationalizing value-added tax and tariff exemptions. Sudan is also facing binding financing constraints, having official foreign reserves coverage of about one month of imports.

SWFs have played a significant stabilizing role domestically and abroad.[2] They have been called to play a more prominent role in their domestic economies as economic and financial conditions have deteriorated and home bias of foreign investors has increased, underscoring the need for SWFs to maintain an adequate degree of liquidity in their investment portfolios to facilitate short-term stabilization goals and long-term saving objectives. A more active role for SWFs (in their domestic economies) and the increased emphasis placed globally on strengthening regulations and oversight highlight issues of transparency, integration with national budgets, and sustainability of overall macroeconomic policies (Box 2).

Keep a close eye on the banking system

In light of financial sector risks, countries should strengthen financial supervision and risk management. Key steps would include the following:

[2] For a discussion on the role of SWFs, see the MCD *Regional Economic Outlook*, May 2008.

Box 2. Middle Eastern Oil Exporters' Sovereign Wealth Funds: Impact and Implications of the Global Crisis

The role of Sovereign Wealth Funds (SWFs) in supporting domestic macroeconomic and financial stability has increased with the global crisis. As a result, implications for their investment strategies, overall transparency, and consistency with domestic macroeconomic frameworks are receiving attention.

Deteriorating domestic financial conditions have warranted more prominent roles for SWFs in their home countries. For example, the Kuwait Investment Authority (KIA) repatriated part of its foreign assets and deposited them in domestic banks to provide liquidity. SWFs' resources in Kuwait and Oman were used to set up funds investing in local equity markets. In addition, the Qatar Investment Authority and the KIA bought domestic bank shares to help boost bank capitalization and confidence. At the same time, SWFs in the region continue to pursue profitable investment opportunities abroad in real estate, retail, and finance.

The crisis has shown that, notwithstanding their long-term focus, SWFs have a domestic stabilization role with implications for their investment objectives and strategies. In times of financial stress in the domestic economy, SWFs' domestic investments may temporarily deviate from pure profit maximization to support broader macroeconomic and financial stabilization objectives. Going forward, SWFs need to ensure that they hold sufficient liquid assets to take on their stabilization role without realizing losses.

The scope for SWFs' stabilizing role in international capital markets will remain substantial. The sharp downturn in asset prices since early 2008 has likely resulted in losses for MEOE SWFs. This is not surprising given the marked declines in major indices (the S&P 500 and World Equity Index lost, respectively, 39 percent and 42 percent in 2008). Despite their losses and greater domestic focus, SWFs' relative size and influence in the global market will remain large. They are also likely to continue to maintain a longer-term investment strategy than most other investors.

International financial markets are likely to face increased regulation and demand greater transparency and accountability, which may affect SWFs' cross-border operations. Increased regulation may alter the relative attractiveness of some asset classes or industries that SWFs invest in. More directly, SWFs could be affected by requirements that all financial institutions and investment vehicles improve transparency and disclose more financial information.

Furthermore, as SWFs have become more active in their domestic economies, it is important that their domestic operations also support, and be consistent with, the country's macroeconomic framework. Well-designed policies and procedures for adding to or withdrawing from SWFs' resources would ensure consistency with their policy objectives.[1] Spending of SWF resources should be transparent and not undermine budgetary control. Moving SWF assets from abroad should take account of balance of payments and liquidity implications and be closely coordinated with monetary and exchange rate policies to prevent undermining the macroeconomic management of the domestic economy.

Note: This box was prepared by Yinqiu Lu and Iva Petrova.

[1] See International Working Group, 2008, Generally Accepted Principles and Practices: Santiago Principles, GAPP 4.

- conducting comprehensive stress tests to identify potential sources of vulnerability;
- assessing the size of possible recapitalization needs;
- putting in place contingency plans to deal with systemic risk;
- ensuring effective powers of intervention in banks deemed at risk; and
- reviewing resolution mechanisms for financial institutions placed under administration.

In view of the financial links across countries, it is also important to coordinate policies, particularly among GCC members, and develop a clear and effective strategy to articulate publicly policy measures to bolster investor confidence and secure political support.

Global deleveraging and more limited access to foreign financing could provide the necessary impetus for the development of domestic debt markets. Some countries face an ongoing need to raise financing to cover budgetary deficits. Other countries do not require budgetary financing, but would benefit from building their financial markets, with a view to further enhancing financial intermediation, stability, and growth prospects. In this regard, the IMF and the Arab Monetary Fund have launched the Arab Market Development Initiative to improve the efficiency and functioning of debt markets in Arab countries. The project aims to identify supply-side policies for developing and enhancing a liquid bond market and strengthening the framework for effective management of associated debt.

II. Middle Eastern Oil Importers: Delayed Slowdown Under Way

With relatively limited links to global financial markets, the Middle Eastern Oil Importers (MEOIs) have generally escaped the ravages of the global financial crisis. As the global recession deepens, however, MEOIs face weaker prospects for exports, foreign direct investment (FDI), tourism, and remittances. Consequently, MEOI growth is slowing too, but with a lag and more moderately than in advanced economies, and financial sectors in MEOIs are becoming more vulnerable. Most governments are unable to respond with significant fiscal stimulus owing to the limited fiscal space available. As a result, unemployment and poverty could rise substantially—with adverse implications for social stability. Therefore, in low-income countries, an increase in donor financing will be necessary to maintain aggregate demand and enhance social safety nets.

Middle Eastern Oil-Importing Countries

The MEOI group of countries is diverse in terms of geography, level of development, and integration with global and regional markets. Per capita income levels vary widely, as do poverty rates within the group. In terms of nominal GDP, the group is dominated by Egypt and Pakistan (75 percent). Although more diverse in terms of economic structure than the MEOEs and the CCA, the MEOIs do share some common features—including close economic and trade ties with the GCC and Western Europe, lower levels of financial development and integration with world financial markets, and higher levels of public debt.

Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

Note: This chapter was prepared by Domenico Fanizza, Todd Schneider, and Harald Finger, with research support from Hirut Wolde.

Limited impact of global crisis so far . . .

The global financial crisis has played out differently among countries in the group but, as a whole, the financial sectors in the MEOIs have weathered the first round of the crisis reasonably well. Stock markets in the region were hit hard during 2008 in the wake of the first round of the world crisis and diminished investor appetite. With the exception of Egypt and Pakistan, however, the decline in stock markets was generally less pronounced than the global emerging market average (Figure 7).

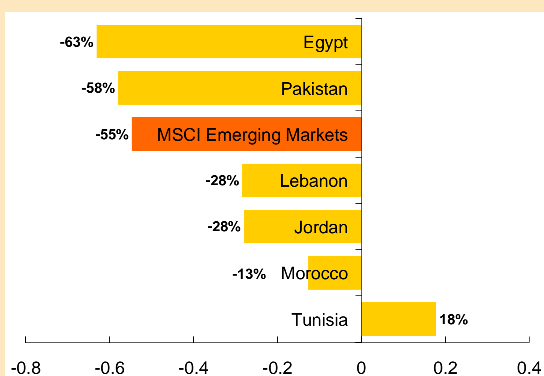
For some emerging markets (Egypt, Lebanon, Pakistan), the pressure from financial turbulence in the more advanced economies has also had an impact through reduced access to international capital markets, lower deposit inflows, and higher rollover risk. However, with the exception of Pakistan, sovereign debt premiums have been no higher than the emerging market average (Figure 8).

There have been no significant runs on banks in the MEOI countries, nor notable bank failures. The resilience of the banking system in the MEOI group reflects, for the most part, the limited foreign exposure of commercial banks, and their relatively high level of liquidity (Table 4). A few restrictions on capital account transactions also remain in some countries. One country (Jordan) instituted a blanket guarantee on bank deposits, while Egypt reiterated an existing blanket guarantee.

While evidence of financial contagion appears to have been limited and centered on the few countries in the group with significant ties to international capital markets, there remains the risk of second-round effects from the global recession. Slower trade and investment, sliding economic performance, and pressure on corporate balance sheets could eventually play through to the financial sector in the form of nonperforming loans.

Figure 7. MEOIs: Change in Stock Market Indices

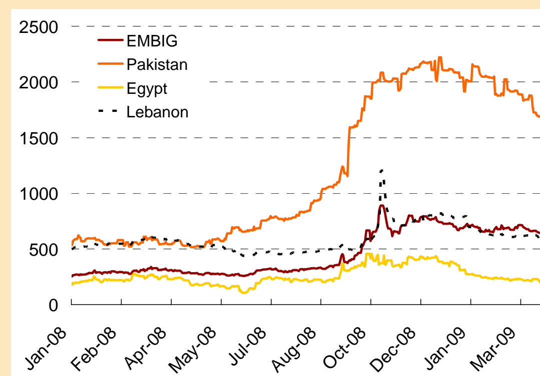
(In percent; Jan. 1, 2008–Mar. 6, 2009)



Source: Bloomberg.

Figure 8. Sovereign Bond Spreads

(In basis points; January 1, 2008–March 31, 2009)



Source: Bloomberg.

Note: EMBIG = *Emerging Market Bond Index Global* (JPMorgan).

Table 4. Financial Soundness Indicators, 2008[1]

(In percent)

	Capital Adequacy Ratio	NonPerforming Loans	Return on Assets	Return on Equity
Afghanistan	14.6	1.8	2.0	…
Djibouti	8.3	16.0	2.4	42.0
Egypt	14.9	16.5	0.8	14.4
Jordan	18.3	4.2	1.4	11.5
Lebanon	11.8	3.1	1.1	14.0
Mauritania	31.9	28.0	2.8	14.1
Morocco	10.7	6.8	1.4	19.0
Pakistan	12.2	9.1	1.2	11.3
Syria	12.9	5.3	0.8	17.2
Tunisia	10.3	16.7	0.9	10.6

Sources: Data provided by country authorities; and IMF staff estimates.

[1] Or latest available.

. . . but impact of the crisis will intensify in 2009

The global financial crisis and recession will weigh on growth in the MEOIs. Because the direct impact of the global financial crisis on these countries has been limited, average growth held up well in 2008, boosted also by strong levels of FDI. The prospects for 2009 are extremely uncertain, and in these circumstances, projections must be considered to be only indicative (Figure 9). Looking ahead, however, it does seem likely that the slowdown in growth in the MEOIs' main trading partners will adversely affect exports, tourism, workers' remittances, and FDI. And the ongoing credit crunch will limit access to international capital markets. Real GDP growth for the group is projected to halve to 3.2 percent in 2009 from 6.2 percent in 2008.

The MEOIs will be affected to different degrees by economic developments in their main trading partners, particularly the GCC and Europe. Strong countercyclical policies in the GCC should help cushion the impact on their own growth, and thereby on growth in their MEOI trading partners (Box 3).

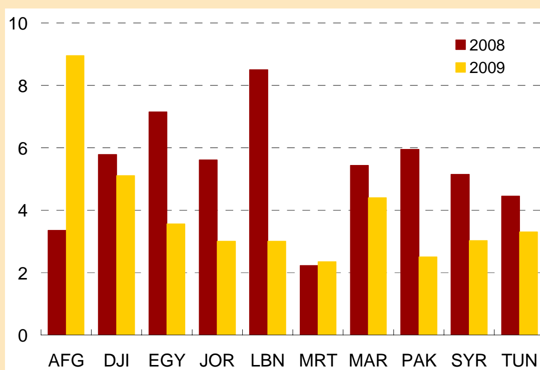
Inflation will decline further

Average inflation for the MEOI group surged in 2008—driven for the most part by the sharp rise in international food and oil prices. Afghanistan, Djibouti, Jordan, Lebanon, and Syria recorded the most marked increases in inflation, reflecting their high dependence on imports of food and fuel.

The reversal in international food and commodity prices had dampened inflation in most countries in the group by year-end, however. Gloomy prospects for global economic growth and demand are likely to put further downward pressure on prices for food, fuel, basic commodities, and industrial inputs in the current year. For the MEOIs as a group, average annual consumer price inflation is projected to fall to 9.7 percent in 2009, from 14.4 percent in 2008, in large part owing to softer food and fuel prices. In some countries, inflation looks set to fall by at least half (for example, in Afghanistan, Djibouti, Jordan, Lebanon, and Syria). Significant reductions are also expected for most other countries in the MEOI group (Figure 10).

Figure 9. MEOIs: Real GDP Growth

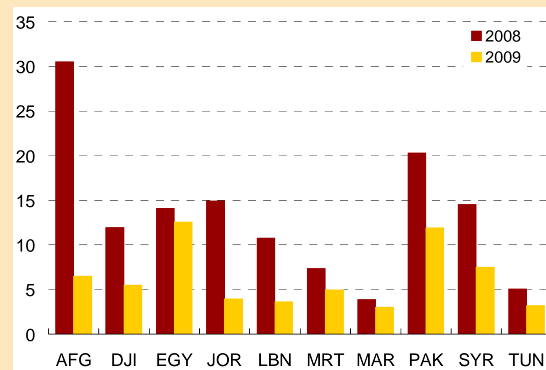
(In percent)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 10. Consumer Price Inflation

(Average; annual changes in percent)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Box 3. Linkages and Spillovers with the GCC Region and with Europe

Most MEOIs have strong economic and financial ties with the Gulf region and/or Europe, including foreign direct investment, migration, and remittances. Countries in North Africa generally have stronger ties with Europe, while countries in the Middle East have closer linkages with the GCC.

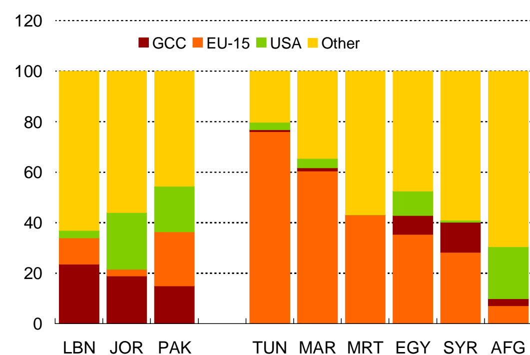
North African countries' share of merchandise exports to Europe ranges from 35 percent in Egypt to over 75 percent for Tunisia (Figure B3.1). With the exception of Egypt, these countries are also more dependent on Europe than on the GCC for remittances, with more than half of remittance flows to Mauritania, Morocco, and Tunisia originating in the European Union.

Countries in the Middle East tend to depend more on the GCC for remittances (Figure B3.2). For Lebanon, with up to 400,000 Lebanese living in the Gulf region more than half of remittance inflows originate from the GCC. Recent data for Pakistan show that, in 2008, remittance flows from the GCC countries accounted for 52 percent of total remittance inflows. In Jordan, the GCC accounts for an estimated 60–70 percent of total remittances, while flows from the European Union are much smaller. Trade patterns in the MEOIs are more diversified. For example, over 25 percent of Lebanon's merchandise exports go to the GCC, and almost 40 percent of Pakistan's exports go to the United States and Asia.

Reliance on foreign direct investment (FDI) varies considerably by country, ranging from 2½ percent of GDP (Afghanistan) to 30 percent of GDP (Djibouti). In recent years, Arab cross-border investment has become deeper and broader, reaching more countries and encompassing a growing number of sectors. Much of the FDI comes from the GCC countries. Direct investment flows from the GCC accounted for about 60 percent of total FDI inflows to Lebanon over the period 2002–07, more than half of which related to real estate investment. About 70–80 percent of FDI flows to Jordan in recent years has been from Arab sources. In contrast, the European Union is the main source of FDI for the North African countries.

Figure B3.1. Merchandise Exports, 2007

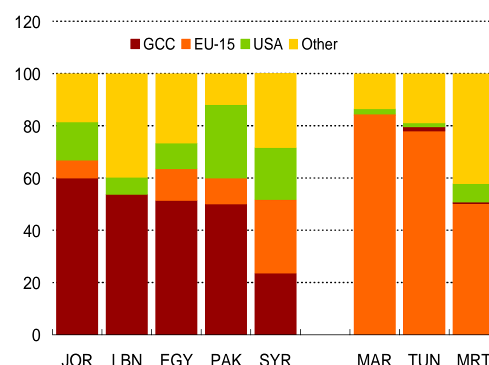
(In percent of total)



Source: IMF *Direction of Trade Statistics.*

Figure B3.2. Remittances, 2006[1]

(In percent of total)



Sources: State Bank of Pakistan; Lebanese authorities; World Bank; and IMF staff estimates.

[1] Pakistan and Lebanon data are for 2008. Other remittances in Lebanon include EU-15.

Note: This box was prepared by Rina Bhattacharya.

Real exchange rates mostly appreciating . . .

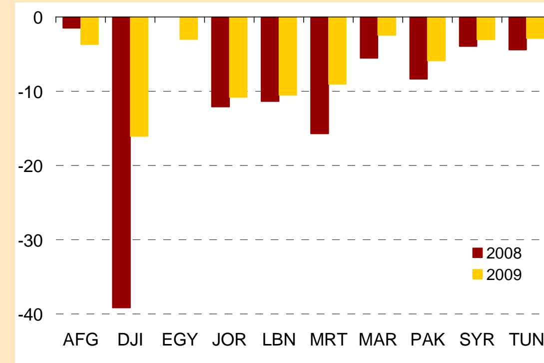
While most MEOIs sought to maintain a steady nominal exchange rate vis-à-vis either the dollar, the euro, or a basket of currencies, there were some marked changes in real effective exchange rates (REER) reflecting relative movements among the major international reserve currencies as well as high inflation in many of the MEOI countries. In real effective terms (that is, trade weighted and taking into account differences in inflation), exchange rates of most MEOIs appreciated—an average rise of 17 percent among Djibouti, Egypt, Jordan, Lebanon, Mauritania, and Syria (Figure 11).

. . . but moderate improvements in current accounts still expected

Despite the REER appreciation, the average MEOI current account deficit is projected to decline moderately in 2009, helped by lower food and fuel import prices (Figure 12). While the global financial crisis and recession have had varying effects on the external positions of the MEOI, the group as a whole is projected to experience a slight improvement in the current account from an average deficit of 5.0 percent of GDP in 2008 to 4.5 percent of GDP in 2009. Exports of goods and services from the group are projected to fall by some $21.7 billion between 2008 and 2009, with the most notable declines in Egypt (reflecting weaker tourism and Suez Canal receipts, as well as the impact of lower prices on hydrocarbon exports), Jordan (lower mining export prices), Tunisia and Morocco (textiles, basic manufactures, and some hydrocarbon exports), and Syria (hydrocarbon exports and agricultural commodities). Tourism from the Gulf states and Europe—an increasingly important source of income in recent years—is also expected to fall in the wake of the global recession. The decline in export earnings, however, will be more than offset by falling imports. Imports of goods and services are projected to fall by some $29.3 billion between 2008 and 2009—the first nominal decline in nearly a decade. The fall in imports reflects a combination of lower fuel and commodity prices, cooling domestic demand, and a decline in FDI and investment-related imports.

Figure 12. MEOIs: Current Account Balance

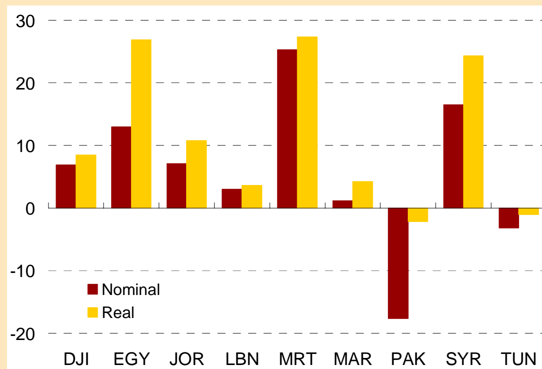
(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 11. Effective Exchange Rates

(Annual percent change; January 2008–January 2009)



Source: IMF *Information Notice System.*

Tighter external financing

The improvement in the current account is expected to be broadly matched by a net decline in financing flows. The steady increase in central banks' gross foreign reserves over the past eight years is

projected to come to a halt—with reserves dropping slightly (in aggregate, a fall of about $2.8 billion between 2008 and 2009).

The MEOIs represent a range of economic structures and levels of development and depend on different types of foreign inflows (Box 4). Their integration with the world market through financial linkages ranges from relatively high (Egypt, Jordan, Lebanon, Pakistan—which rely on portfolio, direct investment, and remittance flows from the region and the rest of the world) to low in such cases as Afghanistan, which depend primarily on official development assistance (ODA). The relative weight and volatility of different kinds of financing flows have important implications for economic prospects in the MEOI group.

Portfolio and direct investment flows are subject to considerable volatility, particularly in the face of the current economic downturn, financial instability, and sharply diminished investor appetite. These flows also adjust quite rapidly, and the downside risk to these flows (based on end-2008 and early 2009 developments) has been incorporated into the current projections for MEOI countries. Potential changes in remittances and ODA are likely to emerge more slowly, but remain subject to downside risk as the historical stability of these flows comes under pressure in the face of an unprecedented global recession.

Some MEOIs have significant amounts of external debt, and the credit crunch is making it harder for them to access capital markets and to roll over their debt. While Lebanon, for example, successfully executed a Eurobond exchange in March 2009, it had earlier delayed a Eurobond issue and the privatization of the two mobile phone companies, in part owing to tight international capital market conditions. Moreover, deposit flows, a key source of government financing, are likely to slow in 2009. Egypt has seen a sharp decline in nonresident holdings of government debt, and a major recovery is not expected in 2009.

Downside risks on the horizon

Although the degree of vulnerability varies across countries, key near-term risks shared across the group include the following:

- a deeper economic slowdown, which could have an impact on social stability and poverty;
- risks from further reductions in external financing—from significant portfolio outflows, a further reduction in FDI inflows, lower-than-anticipated remittances, or cuts in official financing; and
- the vulnerability of corporate and bank balance sheets to the negative impact of a deeper, longer global recession.

How should policies respond?

In short, the main challenge facing all MEOIs is how best to weather the ongoing storm, and how to position macroeconomic policies in an increasingly uncertain future. These countries have collectively faced a number of similar challenges in the past—sometimes related to economic cycles and crises, and at other times stemming from geopolitical concerns. But the unprecedented combination of both a global recession and a world financial crisis poses a broader set of policy challenges than in the past. So far, countries have responded with a range of fiscal and monetary policies (Table 5), but they face constraints.

Limited scope for countercyclical fiscal policy

The overall fiscal position for the MEOIs is projected to improve slightly in 2009—with the average fiscal deficit set to decrease from 5.8 percent of GDP in 2008 to 5.5 percent in 2009. Comparatively high levels of public debt (64 percent

Box 4. How Important Are Different Forms of Foreign Inflows to Middle Eastern Oil Importers?

MEOI countries depend to varying degrees on a wide range of foreign financing, reflecting their different economic structures and levels of development.

Portfolio flows: The majority of MEOI countries have in the past tended to see net portfolio outflows—reflecting their relatively underdeveloped financial systems and, in many cases, lack of domestic capital markets. Within this group, however, for a key set of countries (Egypt, Lebanon, Pakistan and, to a lesser extent, Jordan) portfolio inflows have come to be an increasingly important source of financing. Net portfolio investment in the MEOIs as a whole rose from roughly $300 million in 2004 to some $8.1 billion in 2007, dominated by Egypt, Pakistan, Jordan, and Lebanon. Portfolio flows shifted into net disinvestment of $900 million in 2008, however, and are projected to fall further to a net outflow of $14.3 billion in 2009.

Foreign Direct Investment (FDI): Rising levels of liquidity in the region and improvements in the investment environment among the MEOIs prompted a surge in FDI during the past five years. Total FDI inflows for the group rose from some $9.3 billion in 2003 to an estimated $31.6 billion in 2008. The surge in foreign investment has been particularly marked in Djibouti, Egypt, Jordan, Pakistan, Syria, and Tunisia. While projections suggest that a few countries may be able to maintain current levels of FDI inflows (particularly in cases where investment is linked to large infrastructure projects), most of the MEOIs—particularly some of the star performers of recent years—are likely to see sharp declines in the wake of tighter international credit conditions, lower regional liquidity, and diminished investor appetite. Overall, FDI in the MEOIs is expected to fall by about $11 billion between 2008 and 2009.

Worker remittances: Remittances from expatriate workers are a significant source of income for the MEOIs—roughly on par with FDI at $31 billion in 2008. In nominal terms, these inflows are highest in Egypt, Morocco, and Pakistan, but as a share of GDP are most prominent in Jordan (14 percent), Lebanon (20 percent), and Morocco (8 percent). Gross remittances are projected to fall only marginally, from $31 billion in 2008 to $29 billion in 2009. This relatively small decline compared with portfolio and direct investment flows stems in part from the outlook for a fiscal stimulus in the GCC and other regions, but also because of the historical resilience of these flows. Nonetheless, the size of these flows and their role in supporting family incomes and the overall balance of payments in key countries highlight them as a source of potential risk—particularly if their long-standing constancy is tested by the current crisis.

Official Development Assistance (ODA): For most of the MEOI group, ODA (in the form of grants or concessional loans to the budget) plays a relatively minor role—totaling only about $4.6 billion in 2008. For a subset of countries (in particular, Afghanistan, Djibouti, and Jordan) these official flows play an important role in financing general budget operations. Like remittances, these flows are anticipated to be relatively stable, even in the face of recession in the major donor countries. Total flows to the MEOIs are projected to remain broadly unchanged in 2009.

Table 5. Middle Eastern Oil Importers: Summary of Crisis Response Measures

Country	Monetary easing	Deposit guarantees	Liquidity/ prudential	Fiscal stimulus	Stock market intervention
Afghanistan					
Djibouti					
Egypt	✓	Reiterated		✓	
Jordan	✓	✓	✓		
Lebanon			✓		
Mauritania					
Morocco	✓	Already exists	✓	✓	
Pakistan	✓		✓		✓
Syria			✓	✓	
Tunisia	✓		✓	✓	

Source: Data provided by country authorities.

of GDP, compared with 16 percent in the MEOEs, and 15 percent in the CCA) put tight boundaries on any countercyclical fiscal policy. The net result is likely to be a "pause" in the recent trend toward debt reduction in these countries as fiscal consolidation is postponed. Such a pause likely represents the best middle ground in the current circumstances.

The fiscal response in each of the MEOIs depends in part on the initial fiscal position (Figure 13). Some countries in the group witnessed an expansion of the fiscal deficit in 2008 owing to higher food and fuel costs, drought relief, or security-related expenditures—leaving little room for additional expansion in 2009. Some countries (including Morocco, Syria, and Tunisia) are approaching 2009 from a comparatively stronger fiscal position, owing either to government policies and/or additional fiscal space created by changing terms of trade. Even here, however, the scope for additional fiscal stimulus is likely to be limited, given the uncertainty of future prospects and a desire to hold on to progress made in the recent past on public debt reduction.

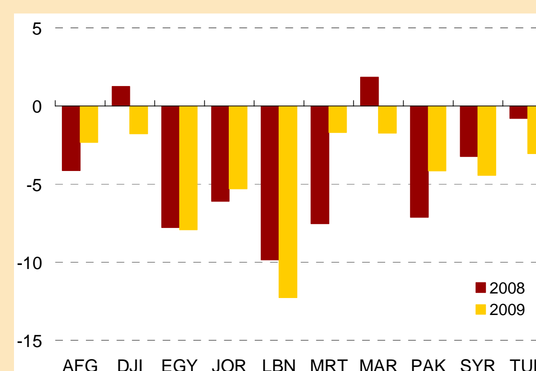
Opportunities nevertheless exist for fiscal reform to better target social protection and make room for public investments. Several countries have already taken measures along these lines.

- In Jordan and Syria, for example, fuel and commodity subsidies have either been eliminated or subjected to the first round of a phased reduction—a measure that in the short run will reduce pressures on fiscal balance and in the medium and long terms could create additional fiscal space for pro-poor and development expenditures.

- In Pakistan, the government has committed to comprehensive tax reform and a phaseout of electricity subsidies to create fiscal space for public investment and social spending.

Figure 13. MEOIs: Government Fiscal Balance

(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

- In other countries (such as Morocco) the additional fiscal room emerging in the wake of falling commodity prices is being used to boost capital expenditures and support wage increases at the bottom of the salary scale.
- Egypt is also expanding capital expenditures, partly through a higher fiscal deficit, but also because of higher-than-budgeted revenues.

Some countries in the group fare poorly with respect to the level of overall tax revenue (Table 6), and tighter fiscal constraints should strengthen the incentive for improvements to both tax policy and administration.

The rapidly changing international economic landscape has put a premium on flexibility in policy making and enhanced the need for fiscal adjustment—particularly in countries with acute fiscal pressures and/or with heavy rollover requirements. Additional expenditure cuts and revenue reforms should be identified in the event that fiscal pressures do not abate. Particularly for those countries with a dependence on external financing and high rollover requirements, or where market conditions have delayed privatization plans, plans to deal with shortfalls are essential, including financial support from multilateral agencies. Pakistan, for example, is seeking to tap nonbank sources of domestic financing, and has also prepared contingency plans to rationalize development spending in the event that fiscal pressures intensify.

Table 6. Tax Revenue

(In percent of GDP)

	Average 2004–08
Afghanistan	4.8
Djibouti	20.2
Egypt	14.9
Jordan	19.6
Lebanon	15.3
Mauritania	14.6
Morocco	23.3
Pakistan	10.6
Syria	14.1
Tunisia	21.2

Sources: *World Economic Outlook*; and IMF staff estimates.

Social considerations may limit the pace and scope of fiscal consolidation among the low-income countries in the group. In particular, for those countries with low per capita income and a high incidence of poverty (Djibouti and Pakistan), recourse to official financing to alleviate short-term fiscal and balance of payments pressures may become increasingly necessary as the global recession deepens.

Some room for monetary easing

Monetary policy among the MEOIs has been largely dictated by the prevalence of fixed exchange rate regimes. Within this constraint, MEOI central banks generally raised policy interest rates during the first half of 2008, followed by a partial reversal in the latter half of the year and in early 2009 as commodity/import prices eased.

Some countries have taken steps to ease monetary policy in the wake of the fall in international commodity prices and associated declines in domestic inflation. Tunisia reduced reserve requirements by 250 bps to 7.5 percent in January 2009 and also lowered its key policy interest rate from 5.25 percent to 4.5 percent in February 2009. Jordan lowered policy interest rates by 150 bps in three steps during late 2008 and early 2009, and similarly reduced reserve requirements by 300 bps to 7 percent (reversing a 200 bps increase earlier in 2008). Morocco also lowered reserve requirements from 15 percent to 12 percent in January 2009 to address declining liquidity, and lowered its key policy interest rate by 25 bps in March 2009. Egypt has lowered overnight interest rates by 150 bps in two steps since February 2009 in light of lower inflation and the need to support growth.

Looking forward, the preference for exchange rate stability and the need to maintain sufficient capital inflows may limit the extent to which many of the MEOIs can ease monetary policy further to support

investment and growth. Caution is warranted given an uncertain economic environment—particularly with regard to trade and balance of payments developments, and the potential for further declines in capital inflows. However, assuming international prices remain soft and balance of payments pressures do not intensify, there should be room for selective monetary easing, especially in view of low international rates. In countries that have flexible exchange rate regimes, greater exchange rate flexibility will aid in adjusting to the effects of the global crisis.

Enhance financial supervision and contingency planning

Financial sector policies and adequate supervision will remain key in the period ahead. While the first-round effects of the global crisis on the MEOI financial sectors have been limited, the projected decline in economic growth is likely to eventually put pressure on banks' balance sheets via lower profits and more nonperforming loans.

Financial sector risks have not gone unnoticed in the MEOIs. Blanket deposit guarantees are in place in Egypt and Jordan. Pakistan has prepared a contingency plan for handling problem banks, and is encouraging such banks to proceed with mergers or fresh capital injections. Lebanon has stepped up reporting requirements on domestic and foreign operations, intensified on-site inspections, and prepared draft legislation for the creation of a financial market regulatory authority. Authorities in Jordan have heightened supervision, and are encouraging increases in bank capital. Closer supervision and analysis of potential risks is also evident in Morocco, Syria, and other countries.

In addition to tighter supervision, contingency plans for dealing with bad or troubled banks should be developed. Where not already in place, prompt corrective action frameworks should be established to set the rules for government intervention and coordination across agencies. Contingency plans to handle the potential fiscal costs of such operations should also be developed.

III. The Caucasus and Central Asia: A Bumpy Road Ahead?

The global downturn is taking a toll on the Caucasus and Central Asia (CCA) region. Growth is expected to almost come to a halt this year, and current account and fiscal balances are moving toward deficit. While linkages to international financial markets are weak in most countries, the global economic crisis is being transmitted to the region via falling commodity prices, declining export demand, and lower remittance inflows, particularly from Russia. Policies should focus on providing support to growth and safeguarding financial systems, while managing external adjustment.

Caucasus and Central Asia Countries

The CCA region consists of eight former Soviet Union republics. In the north, the region borders on Russia and in the east, on China. Both neighbors are key economic partners for the landlocked CCA region. There are four oil and gas exporters (Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan) and four oil and gas importers (Armenia, Georgia, the Kyrgyz Republic, and Tajikistan). CCA countries differ substantially in terms of per capita GDP, which ranges from $800 in Tajikistan to $8,500 in Kazakhstan.

Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

Note: This chapter was prepared by Tim Callen and Axel Schimmelpfennig, with research support from Jaime Espinosa.

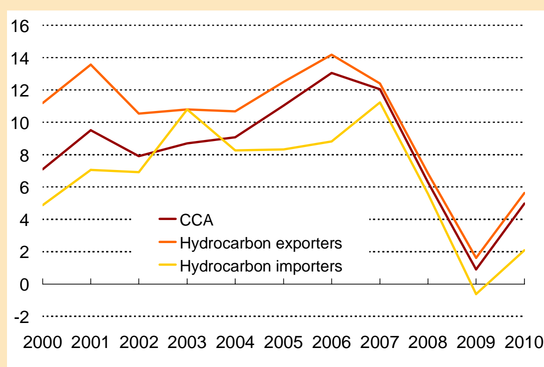
Growth set to slow sharply as the global crisis bites

Economic developments in the CCA region have been very favorable in recent years. Real GDP growth averaged 12 percent during 2005–07, before slowing to a still-solid 6.3 percent in 2008. The regional average in 2008 reflects significant slowdowns in Armenia, Georgia, and Kazakhstan, but still-strong growth in other countries. For most hydrocarbon importers, remittance-driven demand was the main engine of growth. Inflation pressures had been building since 2004, peaking in mid-2008, but dissipating in the second half of the year with the decline in international commodity prices. CCA headline inflation had receded to about 12 percent year on year at end-2008. Driven by high energy prices and the coming onstream of new oil fields, fiscal and current account balances in hydrocarbon exporters improved until 2008. Fiscal developments in hydrocarbon importers were more mixed, while current account balances deteriorated.

The global downturn is affecting most CCA countries, with real GDP growth in the region expected to almost come to a halt in 2009 (Figure 14). High-frequency indicators, such as industrial production, point to a sharp slowing in activity starting in the fourth quarter of 2008 in a number of countries. In Kazakhstan and Georgia, spreads on externally issued bonds have also risen sharply and, in Kazakhstan, the stock market has plunged. In Armenia and Kazakhstan, the economy is expected to contract in 2009, while growth will be just barely positive in Georgia and the Kyrgyz Republic. Only Turkmenistan and Uzbekistan are expected to delink somewhat from the global recession and achieve real GDP growth of 7 percent on account of favorable developments in their hydrocarbon sectors and fiscal stimulus (Table 7). Assuming some recovery in the global economy, real GDP growth is expected to strengthen generally in 2010. The headline growth number of 5 percent for the region for 2010, however, is driven by exceptionally strong growth in Azerbaijan (from increased hydrocarbon production). Other countries are expected to see much more modest recoveries.

Figure 14. CCA: Real GDP Growth

(In percent)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

While the factors driving the slowdown in individual countries vary, three common themes emerge.

- The contraction in Russia is affecting CCA countries via trade, remittances, and financial linkages.
- Several commodity exporters are being hit by declining demand and prices.
- Capital inflows are drying up, putting pressure on credit, growth, and the external accounts.

Russia: Still important for the CCA region

Russia remains a key economic partner for the CCA region. Trade flows have declined in importance over the past decade, but remain significant for some countries (Figure 15). At the same time, financial linkages have increased. For example, the banking sector in Kazakhstan now has a large exposure to Russia. A number of CCA countries are also dependent on remittances from Russia, particularly the Kyrgyz Republic and Tajikistan, but also Armenia and Georgia (Figure 16). In Tajikistan, for example, remittances accounted for about 50 percent of GDP in 2008, with most Tajik migrants reportedly working in Russia.

Table 7. CCA: Real GDP Growth

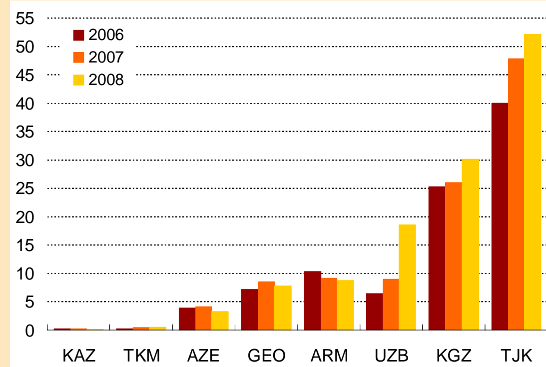
(In percent)

	2006	2007	2008	Proj. 2009	Proj. 2010
CCA	**13.1**	**12.0**	**6.3**	**0.9**	**5.0**
Armenia	13.2	13.8	6.8	-5.0	0.0
Azerbaijan	30.5	23.4	11.6	2.5	12.3
Georgia	9.4	12.4	2.0	1.0	3.0
Kazakhstan	10.7	8.9	3.2	-2.0	1.5
Kyrgyz Republic	3.1	8.5	7.6	0.9	2.9
Tajikistan	7.0	7.8	7.9	2.0	3.0
Turkmenistan	11.4	11.6	9.8	6.9	7.0
Uzbekistan	7.3	9.5	9.0	7.0	7.0

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 16. Remittance Inflows

(In percent of GDP)



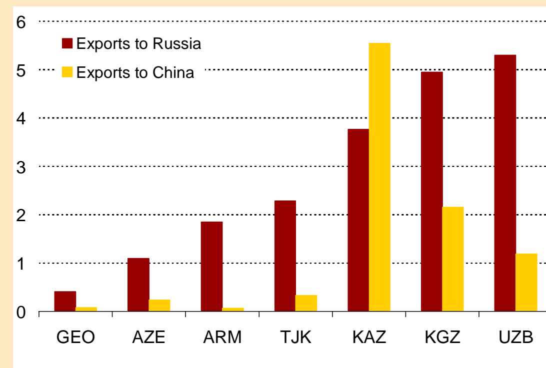
Sources: Data provided by country authorities; and IMF staff estimates.

The Russian economy is expected to contract sharply in 2009. Real GDP grew strongly until mid-2008, driven by large terms-of-trade gains and surging capital inflows, accompanied by accommodative monetary and fiscal policies. This strong growth provided ample employment opportunities for migrants, and remittance flows from Russia to the CCA region surged (Figure 17). However, the sharp fall in oil prices and the sudden reversal of capital flows, brought on by the global financial crisis, have hit the economy hard and have resulted in an abrupt economic slowdown. Real GDP is expected to contract by 6 percent in 2009 despite the large fiscal expansion under way. With falling oil exports, the current account surplus is expected to disappear.

Another factor affecting the region is the weakness of the Russian ruble, which has depreciated by about 30 percent against the U.S. dollar since July 2008. Most countries were initially reluctant to let their exchange rate move against the U.S. dollar, resulting in a sharp appreciation against the ruble both in nominal and real effective terms (the Kyrgyz Republic was an exception as it allowed greater exchange rate flexibility). This led to losses in competitiveness, particularly in import-competing industries, and has contributed to pressures on the external accounts. It has also reduced the dollar or local currency value of ruble remittances. In recent months, however, a number of countries have moved to adjust their exchange rates (Armenia,

Figure 15. Trade Patterns in the CCA, 2008

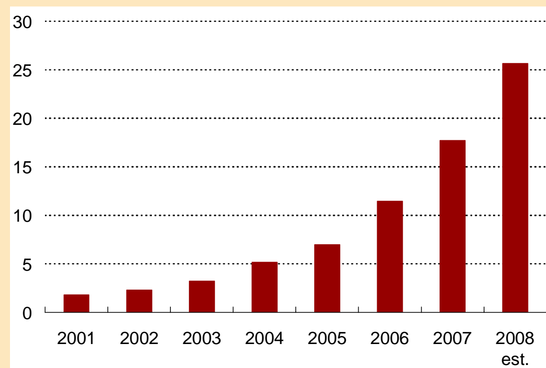
(In percent of GDP)



Source: IMF *Direction of Trade Statistics.*

Figure 17. Remittance Outflows from Russia

(In billions of U.S. dollars)



Source: IMF *Balance of Payments Statistics.*

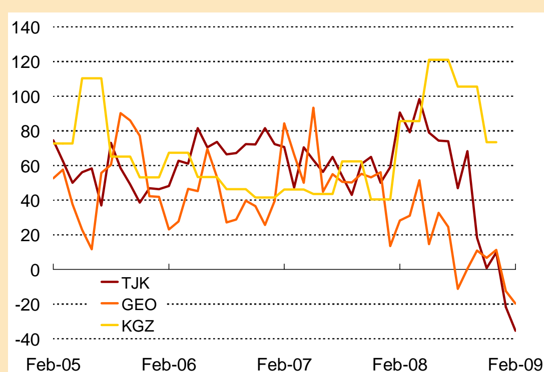
Georgia, Kazakhstan, while the Kyrgyz Republic has continued the gradual depreciation that started last year) as pressures mounted.

As such, developments in Russia are an important factor contributing to the economic slowdown in the CCA countries (Box 5). For countries such as the Kyrgyz Republic and Tajikistan, the main channel of transmission will be a slowdown in remittance inflows, which is already under way (Figure 18). As well as having an impact on growth and the external accounts, weaker remittance inflows will also lead to higher poverty rates in these countries. For Kazakhstan, financial and trade linkages are key. Further declines in real estate prices in Russia will erode the value of Kazakhstani bank assets in the country, putting pressure on balance sheets. Future movements of the ruble will also be important in influencing the competitiveness of domestic producers.

Despite its own difficulties, Russia continues to provide official assistance to CCA countries. For example, the Kyrgyz Republic could draw on $450 million in concessional financing from Russia in 2009 to mitigate the negative impact of declining remittances. In Armenia, a $500 million loan agreement for infrastructure projects and onlending to small and medium-sized enterprises is under negotiation. Support for other CCA countries has been offered, or is under negotiation, and Russian companies continue to explore investment opportunities in CCA countries.

Figure 18. Remittance Receipts

(12-month growth, in percent)



Sources: Data provided by country authorities; and IMF staff estimates.

China's role in the region is also expanding. Trade with China has increased in recent years. For example, imports from China to Turkmenistan increased by 55 percent a year during 2004–07, and similar growth rates are being observed in Uzbekistan. Trade with China is expected to increase further in the coming years, in part helped by infrastructure projects that better link CCA countries and China. For example, a gas pipeline from Turkmenistan to China with a capacity of 30 billion cubic meters is expected to be completed by 2012, while China is investing in Uzbekistan's hydrocarbon sector, with FDI worth $270 million being planned for 2009. Kazakhstan has also recently announced a $10 billion loan deal with China.

Weaker commodity markets: Good for some, not for others

Hydrocarbon exporters are, so far, mostly weathering declining prices reasonably well. Current account and fiscal surpluses are disappearing quickly as oil and gas revenues fall. Outside of Kazakhstan, however, current account balances are expected to remain in surplus in 2009 and 2010. Turkmenistan and Uzbekistan are seeing less of an effect on the external side as contracted gas prices have been increasing. Uzbekistan has also benefited from increasing gold prices. On the fiscal side, revenues are dropping as commodity prices decline, but all the hydrocarbon exporters have accumulated buffers during the boom years—partly in SWFs—on which they can now draw to provide fiscal stimulus and thus support nonhydrocarbon GDP growth (Figure 19). Nevertheless, the large deterioration in the terms of trade is negatively affecting domestic demand, and the fiscal stimulus envisaged will only partly cushion the extent of the downturn, most notably in Kazakhstan, where the impact of the global financial crisis is particularly severe.

Hydrocarbon importers are benefiting from lower import prices, but this is not necessarily translating into better economic outcomes. The positive oil price effect on the current account is offset by

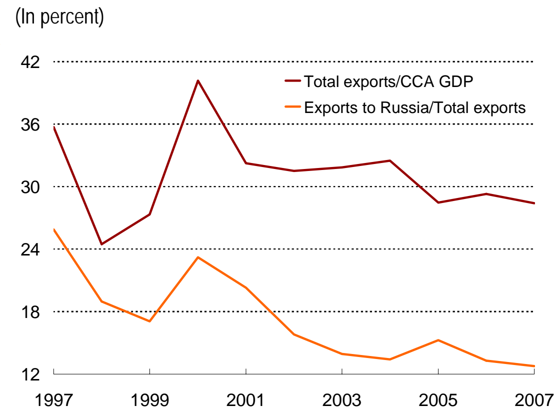
Box 5. How Russia Affects the Neighborhood: Trade, Financial, and Remittance Channels

Although direct trade links with Russia have weakened in recent years, the current slump in the Russian economy will negatively affect growth in the CCA countries largely through financial and remittance channels.

The 1998 Russian crisis is said to have "de-linked" the CCA countries' dependence on Russia. Indeed, trade data show that the declining trend in share of exports to Russia in CCA country exports, which had begun prior to 1998, accelerated further in the subsequent period (Figure B5.1). However, the recent boom in these countries at a time of high remittances and financial flows from Russia suggests otherwise.

Figure B5.1. Share of Russia in CCA Countries' Exports

(In percent)



Sources: Data provided by country authorities; and IMF staff estimates.

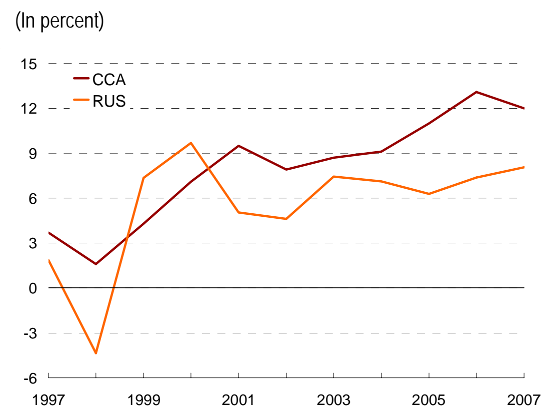
A recent study by IMF staff tests the relationship between growth in the CCA countries and Russia, and explores trade, financial, and remittance channels.[1] Estimation results show that after controlling for the impact of Europe, CCA countries continue to depend on Russia. But the links may have altered since the 1998 crisis, with financial and remittance channels playing a more important role.

CCA countries' growth is positively associated with Russian GDP growth, but this is not explained by trade links (Figure B5.2). The growth spillover from Russia appears particularly large for Kazakhstan, the Kyrgyz Republic, and Georgia. Trade does not appear to be a channel, as Russian growth (weighted by the share of exports to Russia in total country exports) has little association with CCA growth.

The link with Russian prosperity appears to be explained by a strong and statistically significant association between proxies for financial flows from Russia and growth in CCA countries. As Russia accumulated vast oil-driven external savings earlier this decade, countries in this region appear to have benefited from the spillovers of these savings.

Figure B5.2. GDP growth

(In percent)



Sources: Data provided by country authorities; and IMF staff estimates.

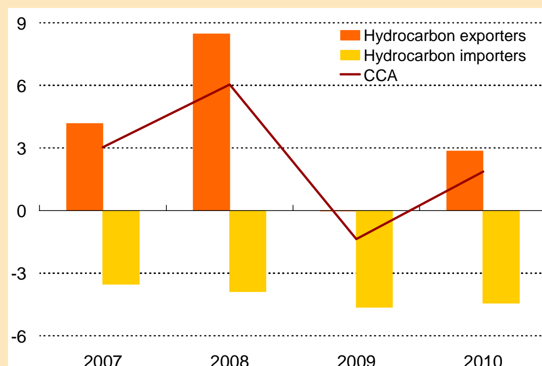
CCA countries' growth is also strongly associated with remittances from Russia. The economic boom in Russia in the middle of the current decade appears to have strengthened its labor market links with the CCA. The resulting remittances were particularly large for Tajikistan and the Kyrgyz Republic, but also important for Georgia and Armenia. A slowdown in Russia will likely result in the return migration of CCA workers and add to unemployment pressures.

Note: This box was prepared by Fahad Alturki and Nadeem Ilahi.

[1] "How Russia Affects the Neighborhood: Trade Financial and Remittance Channels," by Nadeem Ilahi, Fahad Alturki, and Jaime Espinosa, forthcoming IMF Working Paper. Owing to data limitations, Turkmenistan is excluded from the analysis.

Figure 19. CCA: Government Fiscal Balance

(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

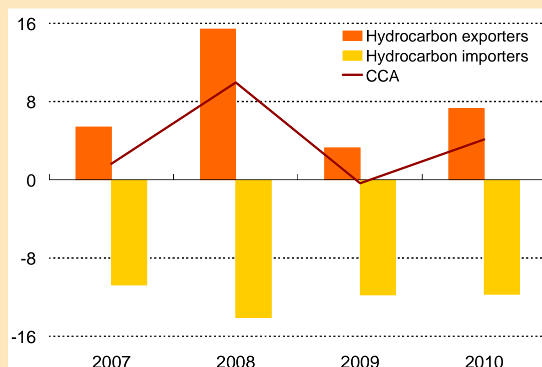
falling remittances and exports, partly on account of declining commodity export prices (Armenia: copper; Georgia: ferroalloys and copper; Tajikistan: cotton and aluminum). Only in the Kyrgyz Republic, where gold is the main commodity exported, have export prices held up. As a result, current account deficits remain large and even increased in 2008 for the hydrocarbon importers (Figure 20). Food prices have come down from their 2008 peak, but remain above the levels seen earlier in this decade. As such, there is little relief to low-income households. Moreover, the decline in international prices is being offset by regional currencies depreciating against the U.S. dollar. As a result, headline inflation is expected to stabilize around current, still-elevated levels, or even increase in some cases (Figure 21).

Global financial turmoil: Limited direct impact, bigger indirect effect

Banking systems in the CCA region are comparatively underdeveloped and have only limited direct linkages to global financial markets. As such, banks in most CCA countries have so far been relatively insulated from the global financial crisis. Kazakhstan is the exception. There, pressures in the non-oil private sector have increased, with banks in particular facing difficulties in meeting their external debt rollover needs. In 2009, about $10 billion out of a total of $40 billion in bank external debt is falling due. Azerbaijan, Georgia, and Tajikistan (for cotton financing) face more moderate external rollover needs (Figure 22). Countries in the region have also been affected by the drying up of trade credit and other credit lines. Most CCA countries are likely to see FDI decline substantially in 2009, in line with the global trend discussed in the April 2009 *Global Financial Stability Report*. Moreover, countries could also face private sector outflows as households and firms try to avoid the impact of depreciating local currencies by converting local currency into dollars.

Figure 20. CCA: Current Account Balance

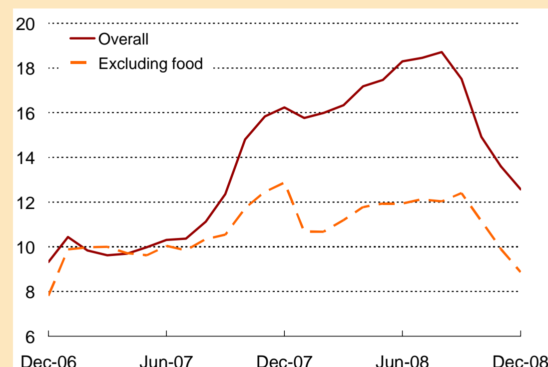
(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 21. Average Inflation, GDP-Weighted

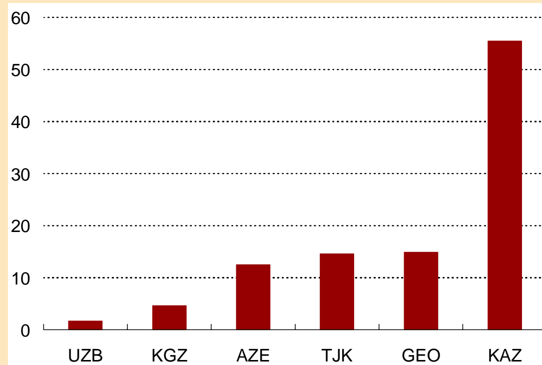
(Annual percentage change)



Sources: Data provided by country authorities.

Figure 22. Private External Debt, 2008

(In percent of GDP)

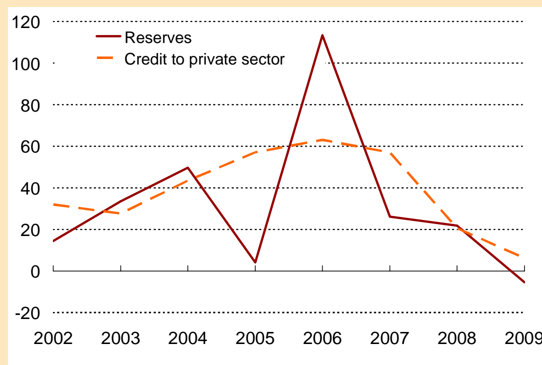


Sources: Data provided by country authorities; and IMF staff estimates.

Weaker capital inflows are affecting credit availability and growth. Across the CCA region, private sector credit growth is slowing dramatically, from the 2006 peak of 63 percent (Figure 23). In the past, episodes of slowing credit growth have been associated with a sharp drop in GDP growth and rising nonperforming loans (NPLs).[3] This pattern is now showing in the region, with NPLs increasing since the second half of 2008 (although differences

Figure 23. Credit Growth

(In percent)



Sources: Data provided by country authorities.

[3] See E. Mendoza and M. Terrones, 2008, "An Anatomy of Credit Booms: Evidence from Macro Aggregates and Micro Data" IMF Working Paper 08/226.

in methodologies mean that NPL levels should not be compared across countries, Figure 24). For now, capital adequacy ratios generally remain high, but capitalization may come under stress in some countries as the credit cycle evolves further (Figure 25). In Kazakhstan, significant problems in the banking sector are already evident. The government, through the Samruk-Kazyna Fund, took a majority stake in BTA, the largest bank, in early February following difficulties at the institution. Two banks—BTA and Alliance—have announced that they will stop making debt repayments while they negotiate with their creditors.

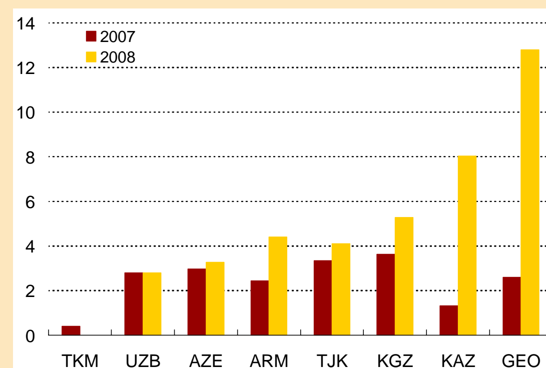
Regional financial spillovers will also take hold. Stress in the banking system in Kazakhstan will have repercussions for the Kyrgyz banking system, which is one-third owned by Kazakhstan banks. In addition, besides Russia, Kazakhstan is another destination for migrant workers from the region and the growth slowdown in Kazakhstan will contribute to the decline in remittance inflows in other CCA countries.

Risks to the outlook are on the downside

Risks to the outlook are largely on the downside and closely linked to the global economy. A continued deterioration in world growth—particularly in

Figure 24. Nonperforming Loans

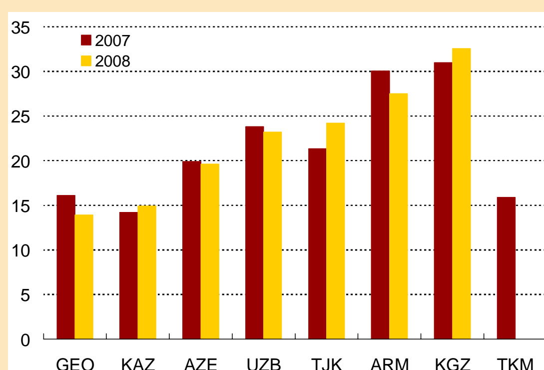
(In percent of total loans)



Sources: Data provided by country authorities.

Figure 25. Capital Adequacy Ratios

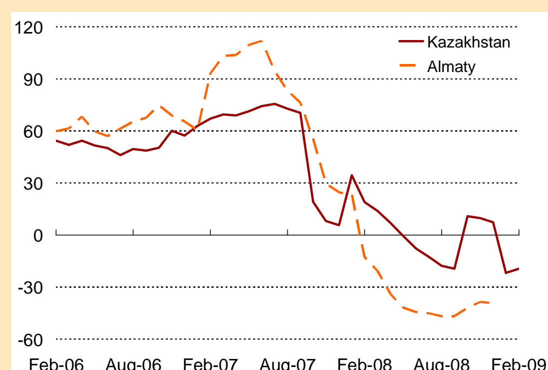
(In percent)



Source: Data provided by country authorities.

Figure 26. Existing House Prices

(12-month percentage growth)



Source: Data provided by country authorities.

Russia, but also in China—or another drop in commodity prices would further reduce growth in the region. Likewise, renewed stresses in global financial markets would affect countries such as Kazakhstan. A more modest than expected global recovery in 2010 would also delay the expected rebound in the region. Even in countries not directly exposed to global financial markets, financial sector vulnerabilities are a key downside risk. In this regard, a sharp drop in real estate prices would undermine bank balance sheets in countries where real estate is widely used as collateral, and where past valuations were close to market prices (Figure 26).

How should the authorities respond to the ongoing regional slowdown?

CCA countries have responded to the impact of the global crisis in a proactive way, but stepped-up policy efforts will be needed as the slowdown deepens. Most countries have already implemented fiscal stimulus, eased monetary policy, and allowed their exchange rate to depreciate (Table 8). On the financial sector side, the policy response has been more mixed, and so far largely determined by the timing and size of emerging vulnerabilities. Four countries (Armenia, Georgia, the Kyrgyz Republic, and Tajikistan) have IMF programs that are providing financing to help them cope with the current difficult economic situation.

Action is needed to identify financial sector risks at an early stage and put in place appropriate measures to manage vulnerabilities. While generally high capital adequacy ratios provide some comfort, these can be eroded quickly. In particular, countries need to step up supervision, ensure that banks are provisioning adequately for a deterioration of asset quality on their balance sheets, assess the impact of downside scenarios on banks, and (where needed) tighten prudential requirements. Countries should also ensure that their deposit insurance systems are well designed, that the central bank can provide liquidity to illiquid but solvent banks, that mechanisms exist for the government to effectively and quickly intervene in troubled institutions, and that they have contingency plans in place on how to deal with financial sector stress. A number of countries have made significant strides in these areas, but others have not. Kazakhstan is currently implementing a wide-ranging "anti-crisis" plan that is providing capital and liquidity support to the banks, has substantially increased the coverage of deposit insurance, and has established an asset management company to buy distressed assets from the banks. Azerbaijan and Georgia have also taken significant steps to strengthen their banking systems in recent months, while Uzbekistan has injected capital into banks and extended the coverage of deposit insurance. For countries that have yet to

Table 8. The Caucasus and Central Asia: Summary of Crisis Response Measures

Country	Fiscal stimulus	Exchange rate depreciation	Monetary easing	Liquidity support	Increased provisioning	Capital injections	Deposit guarantees
Armenia	✓	✓	✓	✓			
Azerbaijan	✓		✓	✓	✓	✓	✓
Georgia	✓	✓	✓	✓	✓	✓	
Kazakhstan	✓	✓	✓	✓	✓	✓	Enhanced
Kyrgyz Republic	✓	✓					✓
Tajikistan	✓	✓	✓	✓			
Turkmenistan							
Uzbekistan	✓	✓				✓	✓

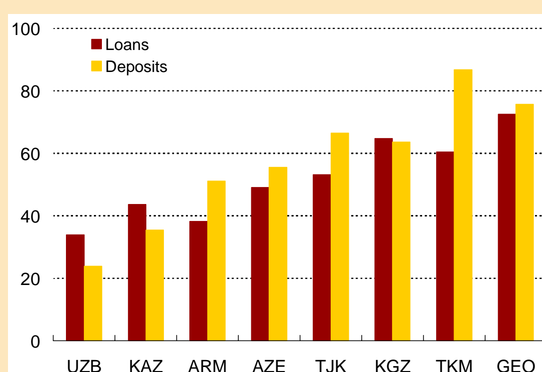
Source: Data provided by country authorities.

develop contingency plans on how they would handle problems in the financial sector, this is a priority.

Central banks in the region face a difficult dilemma on exchange rate policy. On the one hand, balance sheets in CCA countries are highly dollarized, and exchange rate depreciation would weaken balance sheets and adversely affect growth (Figure 27). On the other hand, CCA countries are losing competitiveness on account of the Russian ruble depreciation. Thus, exchange rate adjustment is likely to be needed and countries are generally moving in this direction (Box 6). Nonetheless, policies can differ across countries depending on the extent of international reserve buffers and on how governments weigh competitiveness concerns and financial sector stability issues.

Figure 27. Foreign Exchange Share of Loans and Deposits, End-2008

(In percent)



Source: IMF, *Global Financial Stability Report,* April 2009.

Monetary policy needs to strike the right balance between providing liquidity to the domestic financial system and ensuring that domestic currency assets remain attractive. The drying up of external financing and rising NPLs are contributing to liquidity shortages in many countries, and central banks have appropriately responded by providing liquidity to banks through a combination of reductions in reserve requirements (Azerbaijan, Georgia, Kazakhstan) and short-term liquidity operations (Armenia, Azerbaijan, Georgia, Kazakhstan, Tajikistan). These operations of course need to be carefully managed as there is a risk that such injections could lead to increased demand for foreign exchange, thus further contributing to pressures on the exchange rate.

Fiscal stimulus is desirable in the current environment, although for some countries increased donor financing is needed to achieve this. Almost all countries are seeing a drop in revenues as growth slows and export prices decline, and are appropriately accommodating this by allowing the fiscal balance to deteriorate (Figure 28). Debt levels are comparatively low, and the projected fiscal position in 2009 looks manageable (Figure 29). There should therefore be some room in most countries for a discretionary fiscal stimulus to bolster demand, with spending focused on

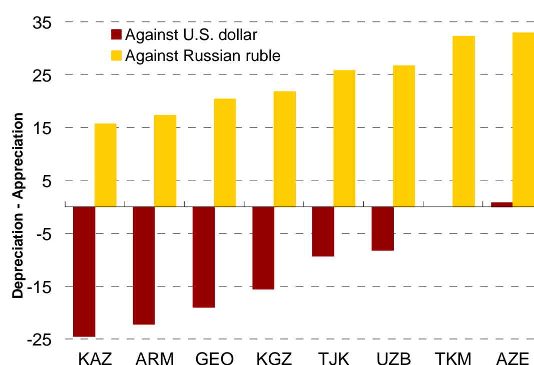
Box 6. Exchange Rate Policies: Coping with New Challenges in Caucasus and Central Asia Countries

Following a trend of real appreciation, CCA currencies have recently come under pressure. Policymakers initially resisted exchange rate adjustment, but by March 2009 most CCA countries had implemented one-step devaluations. Some are moving to greater exchange rate flexibility.

After years of strong inflows, all major sources of foreign exchange supply have dried up. Hydrocarbon exports have suffered from price reductions (Azerbaijan, Kazakhstan), remittances from the slowdown in the remitter country economies (Armenia, Georgia, the Kyrgyz Republic, Tajikistan), and capital inflows from the global recession (Georgia, Kazakhstan). Declining imports have reduced foreign exchange demand, but this has been more than offset by the conversion of deposits and cash to foreign currency, reflecting mounting expectations of a depreciation of the local currency.

Figure B6.1. Exchange Rate Developments

(Exchange rate change: end-June 2008–March 2009, in percent)

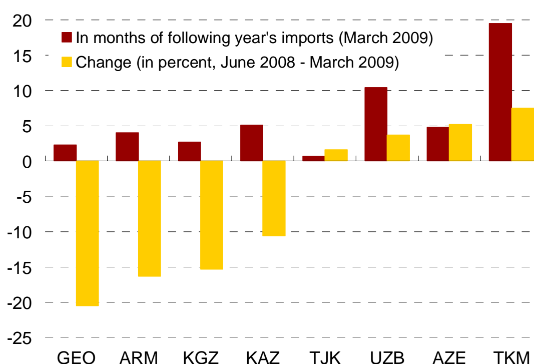


Sources: Data provided by country authorities; DataStream; and IMF staff estimates.

Decreased foreign exchange inflows and the adverse impact on competitiveness of real appreciations suggest the need for nominal exchange rate adjustments. Regional currencies have appreciated particularly sharply against that of Russia, a key trading partner for the region (Figure B6.1). Policymakers are, however, understandably concerned about the adverse effect of depreciation on heavily dollarized bank, corporate, and household balance sheets. Exchange rate decisions therefore depend on the relative benefits of exchange rate depreciation in terms of increased competitiveness, weighed against the potential costs of adverse balance sheet effects. The response to exchange rate pressures also hinges critically on the expected duration of the current slumps in global growth and export prices, and on countries' initial reserve levels.

The policy response to exchange rate pressures has in most cases involved depreciation, either through a step devaluation or a gradual adjustment (Figure B6.2). Kazakhstan, after maintaining a stable exchange rate for an extended period, devalued in February 2009 as reserve losses mounted (even though the country still has sizable reserves). Armenia, Georgia, and the Kyrgyz Republic, which experienced strong depreciation pressures and had more limited reserve buffers, also adjusted their exchange rates (the Kyrgyz Republic via a gradual depreciation). Uzbekistan continued with the crawling peg devaluations at a broadly unchanged pace. Supporting monetary and fiscal policies and measures to contain the impact of depreciation on dollarized balance sheets are needed to manage these depreciations. On the other hand, Azerbaijan, Turkmenistan, and Uzbekistan have ample reserves; have been subject to only limited exchange rate pressures; and have chosen to maintain broad exchange rate stability. Going forward, countries in the region should address remaining structural weaknesses to reduce external vulnerabilities, including by improving monetary frameworks, developing credible alternative monetary anchors, strengthening financial infrastructures, and fostering financial deepening.

Figure B6.2. Gross International Reserves



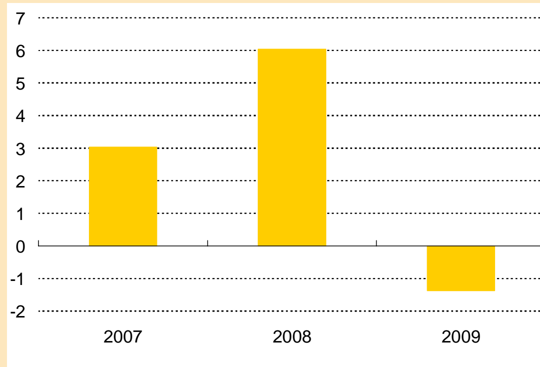
Sources: Data provided by country authorities; DataStream; and IMF staff estimates.

[1] March 2009 gross international reserves include SBA purchases of $249 million (Armenia) and $250 million (Georgia).

Note: This box was prepared by Aidyn Bibolov and Holger Floerkemeier.

Figure 28. CCA: Government Fiscal Balance

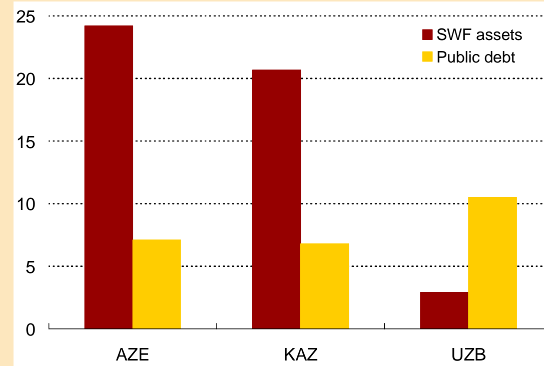
(In percent of GDP)



Sources: Data provided by country authorities; and IMF staff estimates and projections.

Figure 29. Sovereign Wealth Fund Assets and Public Debt, 2008

(In percent of GDP)



Sources: Data provided by country authorities.

protecting the poor, supporting returning migrants, and developing infrastructure where needed. In commodity exporters, governments are appropriately using their large fiscal reserves to finance such increases in spending. For other countries, there is a more limited ability to fund such policies. Where additional donor financing is not forthcoming, fiscal adjustment may be necessary to support external stability. In some cases, this may also imply reductions in social- and poverty-related spending at a time when needs are rising.

Statistical Appendix

The IMF's Middle East and Central Asia Department (MCD) countries comprise Afghanistan, Algeria, Armenia, Azerbaijan, Bahrain, Djibouti, Egypt, Georgia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, the Kyrgyz Republic, Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tajikistan, Tunisia, Turkmenistan, the United Arab Emirates, Uzbekistan, the West Bank and Gaza, and Yemen.

The following statistical appendix tables contain data for 30 of the MCD countries. Somalia and the West Bank and Gaza are not included because of limited data availability. Afghanistan, Iraq, and Turkmenistan are included in the tables, but excluded from the country grouping averages in all the tables except Tables 2, 13–15, and 17. Iran's projections are based on January's global and domestic assumptions and are being revised in coordination wit the authorities. Data revisions reflect changes in methodology and/or revisions provided by country authorities.

The data relate to the calendar year, with the following exceptions: (1) for Qatar, fiscal data are on a fiscal year (April/March) basis; and (2) for Afghanistan, Egypt, Iran, and Pakistan, all macroeconomic accounts data are on a fiscal year basis. For Egypt and Pakistan, the data for each year (e.g., 2004) refer to the fiscal year (July/June) ending in June of that year (e.g., June 2004). For Afghanistan and Iran, data for each year refer to the fiscal year (March 21/March 20) starting in March of that year. Data in Table 5 relate to the calendar year for all countries, except for Iran which shows the Islamic year.

In Tables 3, 9, and 10, "oil" includes gas, which is also an important resource in several countries.

REO aggregates are constructed using a variety of weights as appropriate to the series:

- Country group composites for the growth rates of monetary aggregates and exchange rates (Table 6) are weighted by GDP converted to U.S. dollars at market exchange rates (both GDP and exchange rates are averaged over the preceding three years) as a share of MCD or group GDP.
- Composites for other data relating to the domestic economy (Tables 1, 3, 5, and 8–12), whether growth rates or ratios, are weighted by GDP valued at purchasing power parities (PPPs) as a share of total MCD or group GDP.
- Composites relating to the external economy (Tables 16 and 18) are sums of individual country data after conversion to U.S. dollars at the average market exchange rates in the years indicated for balance of payments data and at end-of-year market exchange rates for debt denominated in U.S. dollars.

Tables 2, 4, 5, 13–15, and 17 are sums of the individual country data.

Table 1. Real GDP Growth

(Annual change; in percent)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**5.1**	**6.0**	**5.8**	**5.8**	**6.0**	**5.7**	**2.6**	**3.6**
Middle Eastern oil exporters	**5.6**	**6.1**	**6.0**	**5.5**	**6.0**	**5.4**	**2.3**	**3.8**
Algeria	4.3	5.2	5.1	2.0	3.0	3.0	2.1	3.9
Bahrain	7.7	5.6	7.9	6.7	8.1	6.1	2.6	3.5
Iran	5.7	5.1	4.7	5.8	7.8	4.5	3.2	3.0
Iraq	...	46.5	-0.7	6.2	1.5	9.8	6.9	6.7
Kuwait	13.3	10.2	10.6	5.1	2.5	6.3	-1.1	2.4
Libya	3.1	4.4	10.3	6.7	6.8	6.7	1.1	2.8
Oman	4.6	5.3	6.0	6.8	6.4	6.2	3.0	3.8
Qatar	8.9	17.7	9.2	15.0	15.3	16.4	18.0	16.4
Saudi Arabia	3.7	5.3	5.6	3.0	3.5	4.6	-0.9	2.9
Sudan	6.4	5.1	6.3	11.3	10.2	6.8	4.0	5.0
United Arab Emirates	7.7	9.7	8.2	9.4	6.3	7.4	-0.6	1.6
Yemen	4.3	4.0	5.6	3.2	3.3	3.9	7.7	4.7
Middle Eastern oil importers	**4.2**	**5.9**	**5.4**	**6.3**	**6.0**	**6.2**	**3.2**	**3.4**
Afghanistan	12.0	8.8	16.1	8.2	12.1	3.4	9.0	7.0
Djibouti	2.3	3.0	3.2	4.8	5.1	5.8	5.1	5.4
Egypt	3.9	4.1	4.5	6.8	7.1	7.2	3.6	3.0
Jordan	5.6	8.6	8.1	8.0	6.6	5.6	3.0	4.0
Lebanon	4.2	7.5	2.6	0.6	7.5	8.5	3.0	4.0
Mauritania	3.3	5.2	5.4	11.4	1.0	2.2	2.3	4.7
Morocco	4.7	4.8	3.0	7.8	2.7	5.4	4.4	4.4
Pakistan	4.3	7.4	7.7	6.2	6.0	6.0	2.5	3.5
Syria	3.3	6.7	4.5	5.1	4.2	5.2	3.0	2.8
Tunisia	4.6	6.0	4.0	5.5	6.3	4.5	3.3	3.8
CCA	**8.4**	**9.1**	**11.0**	**13.1**	**12.0**	**6.3**	**0.9**	**5.0**
Armenia	10.7	10.5	14.0	13.2	13.8	6.8	-5.0	0.0
Azerbaijan	8.3	10.4	24.3	30.5	23.4	11.6	2.5	12.3
Georgia	5.8	5.9	9.6	9.4	12.4	2.0	1.0	3.0
Kazakhstan	10.4	9.6	9.7	10.7	8.9	3.2	-2.0	1.5
Kyrgyz Republic	4.9	7.0	-0.2	3.1	8.5	7.6	0.9	2.9
Tajikistan	9.7	10.6	6.7	7.0	7.8	7.9	2.0	3.0
Turkmenistan	17.3	14.7	13.0	11.4	11.6	9.8	6.9	7.0
Uzbekistan	4.8	7.7	7.0	7.3	9.5	9.0	7.0	7.0
Memorandum								
GCC	**5.9**	**7.4**	**6.9**	**5.5**	**5.1**	**6.4**	**1.3**	**4.2**
Maghreb	**4.3**	**5.1**	**5.2**	**4.8**	**4.0**	**4.4**	**2.7**	**3.9**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 2. Nominal GDP

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**918**	**1154**	**1390**	**1643**	**1906**	**2430**	**2155**	**2398**
Middle Eastern oil exporters	**581**	**826**	**1030**	**1230**	**1425**	**1853**	**1556**	**1759**
Algeria	63.8	85.1	102.7	116.8	135.3	159.7	128.6	145.7
Bahrain	9.1	11.2	13.5	15.8	18.4	21.2	18.1	19.9
Iran	124.7	161.3	188.0	222.1	285.9	341.4	358.3	380.2
Iraq	...	25.8	31.4	49.3	62.4	90.9	68.6	80.5
Kuwait	43.6	59.4	80.8	101.6	111.8	158.1	106.2	121.2
Libya	30.8	33.3	45.5	55.1	69.9	100.1	62.9	74.0
Oman	21.3	24.8	30.9	35.7	40.4	52.6	43.1	49.0
Qatar	22.0	31.7	42.5	56.9	71.0	102.3	99.7	133.3
Saudi Arabia	205.3	250.7	315.8	356.6	381.9	481.6	374.0	423.8
Sudan	16.0	21.7	27.4	36.4	46.5	57.9	52.2	60.7
United Arab Emirates	82.2	107.3	135.2	164.2	180.2	260.1	215.2	235.5
Yemen	11.2	13.9	16.7	19.1	21.7	27.2	28.7	35.0
Middle Eastern oil importers	**281**	**328**	**360**	**414**	**480**	**577**	**599**	**639**
Afghanistan	4.6	5.4	6.5	7.7	9.7	12.1	14.0	15.3
Djibouti	0.6	0.7	0.7	0.8	0.8	1.0	1.1	1.2
Egypt	88.4	78.8	89.8	107.4	130.3	162.2	188.1	203.8
Jordan	9.7	11.4	12.6	14.8	16.5	20.0	21.7	23.3
Lebanon	18.8	21.5	21.9	22.4	25.0	28.9	31.3	33.2
Mauritania	1.2	1.5	1.9	2.7	2.8	3.2	3.2	3.4
Morocco	44.4	56.9	59.5	65.6	75.1	86.4	84.6	90.6
Pakistan	80.1	98.1	109.6	127.5	144.0	167.6	162.6	170.2
Syria	22.0	25.0	28.6	33.5	40.6	54.8	52.8	58.5
Tunisia	22.7	28.3	29.0	31.1	35.1	40.3	39.8	39.3
CCA	**56**	**91**	**118**	**160**	**212**	**262**	**223**	**252**
Armenia	2.6	3.6	4.9	6.4	9.2	11.9	10.5	9.8
Azerbaijan	6.6	8.7	13.2	21.0	31.3	46.4	37.9	46.9
Georgia	3.8	5.1	6.4	7.8	10.2	12.9	11.3	11.9
Kazakhstan	27.8	43.2	57.1	81.0	104.8	132.2	101.9	115.8
Kyrgyz Republic	1.7	2.2	2.5	2.8	3.8	5.0	4.9	5.1
Tajikistan	1.4	2.1	2.3	2.8	3.7	5.1	5.4	5.5
Turkmenistan	9.3	14.2	17.2	21.4	26.2	20.4	19.8	22.2
Uzbekistan	11.4	12.0	14.3	17.0	22.3	27.9	31.0	35.2
Memorandum								
GCC	**355**	**485**	**619**	**731**	**804**	**1076**	**856**	**983**
Maghreb	**152**	**205**	**239**	**271**	**318**	**390**	**319**	**353**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 3. Oil and Non-Oil Real GDP Growth for Oil Exporters

(Annual change; in percent)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
				Non-oil GDP				
Middle Eastern oil exporters	5.5	6.6	6.5	6.6	7.3	6.1	3.7	3.8
Algeria	4.8	6.2	4.7	5.6	6.3	6.1	5.7	5.1
Bahrain	7.1	10.7	11.6	8.1	9.2	6.9	3.0	4.0
Iran	6.0	5.4	5.3	6.2	8.6	5.0	4.0	3.5
Iraq	...	14.9	12.0	7.5	-2.0	5.0	4.0	4.5
Kuwait	11.6	12.1	10.0	7.0	6.3	7.9	1.2	3.3
Libya	0.2	2.6	15.8	10.7	11.3	11.0	6.0	5.0
Oman	6.7	8.5	7.3	8.4	9.0	8.1	3.5	4.3
Qatar	9.4	24.6	13.1	19.9	14.5	14.5	9.0	9.1
Saudi Arabia	3.7	4.6	5.2	4.9	4.9	5.3	3.3	3.5
Sudan	...	...	...	...	...	...	...	...
Syria	6.6	10.2	7.5	6.9	5.8	6.0	3.7	4.2
United Arab Emirates	9.2	12.6	10.8	10.4	9.1	8.6	0.8	1.8
Yemen	4.9	5.4	6.5	4.7	5.3	4.8	4.4	4.4
Memorandum								
GCC	**5.6**	**8.5**	**7.5**	**7.4**	**6.9**	**7.2**	**3.2**	**3.9**
				Oil GDP				
Middle Eastern oil exporters	**4.5**	4.3	3.5	1.8	1.2	2.4	-3.5	1.1
Algeria	3.8	3.3	5.8	-2.5	-0.9	-0.9	-2.1	0.1
Bahrain	0.5	-11.9	-8.8	-1.0	1.1	1.2	0.1	0.1
Iran	3.5	2.9	-0.4	2.7	1.7	0.4	-4.0	-2.0
Iraq	74.2	74.2	-8.1	5.3	4.0	13.0	8.7	8.0
Kuwait	17.1	8.1	11.4	2.9	-2.3	4.2	-4.5	0.9
Libya	5.3	5.5	7.2	4.3	3.9	3.8	-2.5	1.0
Oman	0.5	-1.8	2.9	2.6	-0.8	0.4	1.4	2.1
Qatar	8.6	12.5	6.0	10.7	16.2	18.2	26.3	22.2
Saudi Arabia	3.9	6.7	6.2	-0.8	0.5	3.2	-10.5	1.3
Sudan	...	...	...	...	...	...	...	...
Syria	-6.4	-6.1	-8.6	-4.1	-5.0	-0.1	-1.9	-7.2
United Arab Emirates	4.4	2.9	1.6	6.5	-1.6	3.6	-5.3	0.8
Yemen	4.9	5.4	6.5	4.7	5.3	4.8	4.4	4.4
Memorandum								
GCC	**5.5**	**5.7**	**5.6**	**1.9**	**1.0**	**4.5**	**-4.3**	**3.5**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 4. Crude Oil Production and Exports
(Millions of barrels a day)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
				Production				
Middle Eastern oil exporters	**21.3**	**24.9**	**25.7**	**26.0**	**25.8**	**26.5**	**25.4**	**24.5**
Algeria	1.0	1.3	1.4	1.4	1.4	1.4	1.3	...
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Iran	3.6	4.0	4.0	4.0	4.1	4.0	4.0	3.9
Iraq	...	2.0	1.9	2.0	2.0	2.3	2.5	2.7
Kuwait	2.0	2.3	2.6	2.6	2.6	2.7	2.6	2.6
Libya	1.4	1.6	1.7	1.8	1.8	1.9	1.9	1.9
Oman	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Qatar	0.7	0.8	0.8	0.8	0.8	0.9	0.8	0.9
Saudi Arabia	8.1	8.9	9.4	9.2	8.8	9.1	8.1	8.2
Sudan	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.6
Syria	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3
United Arab Emirates	2.2	2.3	2.4	2.6	2.5	2.6	2.5	2.5
Yemen	...	...	...	...	...	...	...	...
Memorandum								
GCC	**13.9**	**15.3**	**16.0**	**16.1**	**15.7**	**16.1**	**14.9**	**15.2**
				Exports[1]				
Middle Eastern oil exporters	13.6	14.9	15.6	15.8	15.9	16.4	15.4	15.8
Algeria	0.6	0.9	1.0	0.9	0.9	0.8	0.8	0.8
Bahrain	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2
Iran	...	2.7	2.4	2.4	2.5	2.5	2.3	2.1
Iraq	...	1.5	1.4	1.4	1.6	1.8	2.0	2.1
Kuwait	1.2	1.4	1.7	1.7	1.6	1.7	1.6	1.6
Libya	1.1	1.3	1.3	1.4	1.5	1.5	1.4	1.4
Oman	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5
Qatar	0.7	0.7	0.7	0.7	0.8	0.8	0.7	0.8
Saudi Arabia	6.2	6.8	7.2	7.0	7.0	7.2	6.3	6.4
Sudan	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.5
Syria	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1
United Arab Emirates	2.0	2.2	2.2	2.4	2.3	2.4	2.3	2.3
Yemen	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Memorandum								
GCC	**11.1**	**12.0**	**12.6**	**12.7**	**12.4**	**12.7**	**11.6**	**11.8**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]Excluding exports of refined oil products.

Table 5. Consumer Price Inflation

(Year average; in percent)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**5.0**	**7.1**	**5.6**	**6.9**	**9.3**	**15.2**	**9.9**	**7.8**
Middle Eastern oil exporters	**5.8**	**7.1**	**5.5**	**6.8**	**10.3**	**15.6**	**10.0**	**8.5**
Algeria	2.4	3.6	1.6	2.5	3.6	4.5	4.6	3.4
Bahrain	-1.8	2.2	2.6	2.0	3.3	3.5	3.0	2.5
Iran	14.2	15.3	10.4	11.9	18.4	26.0	18.0	15.0
Iraq	16.4	7.8	37.0	53.2	30.8	3.5	13.8	8.0
Kuwait	1.2	1.3	4.1	3.1	5.5	10.5	6.0	4.8
Libya	-4.5	1.0	2.9	1.4	6.2	10.4	6.5	4.5
Oman	-0.3	0.7	1.9	3.4	5.9	12.6	6.2	6.0
Qatar	2.5	6.8	8.8	11.8	13.8	15.0	9.0	8.4
Saudi Arabia	-0.2	0.4	0.6	2.3	4.1	9.9	5.5	4.5
Sudan	7.5	8.4	8.5	7.2	8.0	14.3	9.0	8.0
United Arab Emirates	3.0	5.0	6.2	9.3	11.1	11.5	2.0	3.1
Yemen	11.7	12.5	9.9	10.8	7.9	19.0	12.0	13.3
Middle Eastern oil importers	**3.6**	**7.3**	**5.7**	**7.1**	**7.6**	**14.4**	**9.7**	**6.6**
Afghanistan	9.5	12.6	12.7	7.2	8.6	30.5	6.5	5.6
Djibouti	1.8	3.1	3.1	3.5	5.0	12.0	5.5	5.0
Egypt	4.7	11.3	4.9	7.6	11.3	14.1	12.5	8.3
Jordan	1.9	3.4	3.5	6.3	5.4	14.9	4.0	3.6
Lebanon	0.8	1.7	-0.7	5.6	4.1	10.8	3.6	2.1
Mauritania	7.1	10.4	12.1	6.2	7.3	7.3	4.9	5.8
Morocco	1.6	1.5	1.0	3.3	2.0	3.9	3.0	2.8
Pakistan	4.2	7.4	9.1	7.9	7.6	20.3	11.9	7.5
Syria	1.8	4.4	7.2	10.4	4.7	14.5	7.5	6.0
Tunisia	2.7	3.6	2.0	4.5	3.1	5.0	3.2	3.4
CCA	**9.6**	**6.6**	**7.9**	**9.3**	**11.8**	**16.6**	**8.6**	**8.4**
Armenia	3.0	7.0	0.6	2.9	4.4	9.0	3.6	7.2
Azerbaijan	3.0	6.7	9.7	8.4	16.6	20.8	4.0	7.0
Georgia	5.0	5.7	8.3	9.2	9.2	10.0	5.0	6.5
Kazakhstan	8.2	6.9	7.6	8.6	10.8	17.2	9.5	8.7
Kyrgyz Republic	7.0	4.1	4.3	5.6	10.2	24.5	12.4	8.6
Tajikistan	21.4	7.2	7.3	10.0	13.2	20.4	11.9	11.5
Turkmenistan	8.0	5.9	10.7	8.2	6.3	15.0	10.0	8.0
Uzbekistan	19.5	6.6	10.0	14.2	12.3	12.7	12.5	9.5
Memorandum								
GCC	**0.6**	**1.7**	**2.6**	**4.3**	**6.3**	**10.7**	**5.3**	**4.8**
Maghreb	**1.2**	**2.7**	**1.8**	**2.9**	**3.6**	**5.4**	**4.3**	**3.5**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 6. Central Government Fiscal Balance

(In percent of GDP)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**0.9**	**2.8**	**6.2**	**6.3**	**5.2**	**7.1**	**-4.0**
Middle Eastern oil exporters	**3.9**	**6.9**	**12.3**	**12.3**	**10.5**	**14.0**	**-3.2**
Algeria	5.6	6.9	11.9	13.6	4.5	11.4	-12.4
Bahrain	4.0	4.6	7.6	4.7	3.2	8.0	-7.6
Iran	2.1	1.7	1.7	-1.8	4.1	-1.7	-3.5
Iraq[1]	...	-50.5	6.5	14.2	8.8	13.7	-27.0
Kuwait	23.8	20.7	42.9	35.4	40.2	26.7	21.2
Libya	9.2	13.9	30.9	35.5	26.2	36.7	3.2
Oman	7.5	4.5	12.1	14.2	10.3	12.1	-4.8
Qatar	8.6	16.4	9.7	9.1	12.8	11.5	4.5
Saudi Arabia	0.9	10.0	18.4	21.0	12.3	32.7	-7.6
Sudan	-0.3	0.2	-2.4	-4.3	-5.4	-1.4	-4.0
United Arab Emirates[2]	3.5	9.7	20.0	28.4	25.2	21.9	0.6
Yemen[1]	0.4	-2.2	-1.8	1.2	-7.2	-4.8	-6.0
Middle Eastern oil importers	**-4.6**	**-4.8**	**-5.4**	**-5.1**	**-4.9**	**-5.8**	**-5.5**
Afghanistan	-1.5	-1.4	1.0	-2.9	-1.8	-4.1	-2.3
Djibouti	-2.2	-1.9	0.2	-2.5	-2.6	1.3	-1.8
Egypt[1]	-6.0	-8.3	-8.4	-9.2	-7.5	-7.8	-7.9
Jordan	-2.8	-1.7	-5.0	-3.6	-5.9	-6.1	-5.3
Lebanon	-17.0	-9.7	-8.4	-10.4	-10.9	-9.9	-12.3
Mauritania[3]	-7.2	-4.8	-7.1	35.9	-1.8	-7.5	-1.7
Morocco	-4.5	-3.8	-4.8	-1.4	0.6	1.9	-1.7
Pakistan[1]	-2.9	-1.8	-3.0	-3.7	-4.0	-7.1	-4.2
Syria[1]	-1.6	-4.2	-4.5	-1.2	-3.0	-3.2	-4.4
Tunisia	-3.2	-2.6	-3.0	-2.9	-2.9	-0.8	-3.1
CCA	**0.1**	**1.1**	**3.0**	**4.1**	**3.0**	**6.0**	**-1.4**
Armenia	-2.7	-1.7	-2.0	-2.1	-2.2	-1.7	-3.6
Azerbaijan	-0.2	1.1	2.6	-0.2	2.8	22.4	-1.5
Georgia[1]	-1.5	-0.2	-2.4	-3.0	-4.7	-6.4	-5.6
Kazakhstan[1]	1.7	2.5	5.8	7.2	4.7	1.1	-2.0
Kyrgyz Republic[1]	-6.0	-4.4	-3.6	-2.1	-0.3	-0.3	-1.9
Tajikistan	-3.1	-2.4	-2.9	1.7	-6.2	-6.1	-7.0
Turkmenistan[1]	1.1	1.4	0.8	5.3	3.9	11.0	5.2
Uzbekistan[1]	-1.0	0.6	1.2	5.2	5.1	10.2	2.9
Memorandum							
GCC	**5.0**	**11.3**	**20.6**	**22.4**	**17.6**	**26.5**	**-1.4**
Maghreb	**2.2**	**3.8**	**8.4**	**11.1**	**5.8**	**11.2**	**-5.7**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]General government.

[2]Consolidated accounts of the federal government, and the emirates Abu Dhabi, Dubai, and Sharjah.

[3]Includes oil revenue transferred to the oil fund.

Table 7. Broad Money Growth

(Annual change; in percent)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**14.9**	**17.8**	**19.8**	**21.6**	**24.0**	**18.8**	**10.9**
Middle Eastern oil exporters	**16.1**	**19.8**	**22.2**	**24.7**	**26.9**	**20.2**	**11.6**
Algeria	16.0	11.5	11.1	16.1	24.2	16.0	13.1
Bahrain	8.1	4.1	22.0	14.9	40.8	18.4	9.6
Iran	30.1	31.1	33.6	39.2	28.6	16.7	14.0
Iraq	...	...	...	34.6	37.3	35.4	88.2
Kuwait	8.8	12.1	12.3	21.7	19.3	15.6	7.1
Libya	7.0	13.3	30.6	15.3	40.8	48.5	20.0
Oman	5.4	4.0	21.4	24.9	34.8	29.8	11.4
Qatar	14.1	14.6	39.2	40.9	35.7	21.6	23.2
Saudi Arabia	10.6	18.8	11.6	19.3	19.6	17.6	10.6
Sudan	30.0	32.1	44.7	27.4	10.3	16.3	16.0
United Arab Emirates	17.1	23.2	33.8	23.2	41.7	25.7	3.2
Yemen	20.7	13.9	13.7	27.7	16.8	13.7	14.2
Middle Eastern oil importers	13.5	15.0	16.7	16.0	16.8	15.6	10.2
Afghanistan	34.3	36.9	18.0	22.3	14.4	34.5	17.0
Djibouti	11.2	13.9	11.3	10.2	9.6	20.6	11.8
Egypt	13.2	13.2	13.6	13.5	17.1	15.8	9.5
Jordan	9.4	11.7	17.0	14.1	10.6	17.3	7.1
Lebanon[1]	10.2	12.3	3.5	6.4	10.9	15.5	10.0
Mauritania	23.3	13.5	14.6	15.7	18.9	13.9	1.9
Morocco	9.1	7.7	14.0	17.2	16.1	10.9	8.2
Pakistan	14.3	19.6	19.3	14.9	19.3	15.3	7.5
Syria	16.0	11.1	11.5	9.4	9.8	19.1	11.7
Tunisia	9.3	10.3	11.0	11.4	12.5	14.3	12.6
CCA	**39.2**	**56.0**	**30.3**	**66.9**	**38.6**	**31.3**	**16.5**
Armenia	21.9	22.3	27.8	32.9	42.3	2.4	2.3
Azerbaijan	30.1	47.5	22.1	86.4	72.4	44.0	21.0
Georgia	28.2	42.6	26.4	39.3	49.6	7.0	9.0
Kazakhstan	43.6	68.2	26.3	78.1	25.9	33.6	17.1
Kyrgyz Republic	24.6	32.0	9.9	51.6	33.3	12.6	0.6
Tajikistan	51.6	51.6	30.2	63.4	78.8	6.3	8.3
Turkmenistan	33.3	12.7	27.9	55.9	72.2	133.9	11.9
Uzbekistan	40.4	47.8	54.3	36.8	46.1	34.7	20.4
Memorandum							
GCC	**11.5**	**17.6**	**19.0**	**22.0**	**26.8**	**20.1**	**9.5**
Maghreb	**11.1**	**10.6**	**15.0**	**15.6**	**23.7**	**21.3**	**13.4**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]Broad money is defined to include nonresident deposits (M5).

Table 8. Central Government Total Revenue, Excluding Grants

(In percent of GDP)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**28.6**	**30.2**	**34.0**	**35.4**	**34.4**	**35.6**	**27.9**
Middle Eastern oil exporters	**32.6**	**35.1**	**41.2**	**42.4**	**40.8**	**42.6**	**30.8**
Algeria	36.3	36.1	40.9	43.0	39.6	47.0	34.7
Bahrain	31.6	30.3	32.2	30.4	28.9	33.4	23.4
Iran	23.1	24.5	30.3	29.9	30.9	24.1	20.8
Iraq[1]	...	70.4	79.4	68.2	71.5	79.1	64.5
Kuwait	62.2	55.2	71.1	67.3	71.0	59.7	62.9
Libya	45.7	53.6	62.9	65.1	61.5	73.8	59.1
Oman	45.7	45.1	47.9	50.3	45.8	46.3	34.6
Qatar	39.9	47.7	42.5	41.5	45.6	37.3	33.7
Saudi Arabia	35.3	42.2	48.0	50.8	44.9	61.0	34.0
Sudan	13.9	20.5	23.0	20.5	20.0	21.4	12.9
United Arab Emirates[2]	34.2	34.2	41.0	49.6	50.4	47.2	32.6
Yemen[1]	32.4	31.3	34.5	38.2	32.8	36.1	23.0
Middle Eastern oil importers	**21.2**	**20.9**	**20.6**	**22.3**	**22.4**	**22.6**	**22.5**
Afghanistan	4.3	5.0	6.4	7.5	6.9	6.7	7.3
Djibouti	25.5	28.8	30.9	31.1	30.2	28.8	28.7
Egypt[1]	26.0	24.6	24.3	28.2	27.2	27.6	27.8
Jordan	25.0	25.7	28.2	29.7	30.5	28.0	27.9
Lebanon	20.5	23.1	22.4	22.1	23.0	23.9	24.8
Mauritania[3]	26.7	29.7	24.5	29.5	25.6	25.3	25.3
Morocco	22.4	22.2	23.5	25.1	27.4	30.2	25.9
Pakistan[1]	13.9	14.1	13.8	14.1	14.9	14.3	15.2
Syria[1]	28.0	27.2	24.0	25.5	22.7	20.9	21.9
Tunisia	24.0	23.8	23.6	23.4	24.2	26.5	23.4
CCA	**24.0**	**25.4**	**26.8**	**27.8**	**29.4**	**34.8**	**30.6**
Armenia	15.2	14.9	17.4	17.5	19.3	19.6	19.1
Azerbaijan	24.0	26.8	25.0	28.0	29.9	52.1	42.9
Georgia[1 4]	18.2	24.2	22.5	25.5	28.6	27.4	26.0
Kazakhstan[1]	23.9	24.6	28.1	27.5	28.8	28.6	25.1
Kyrgyz Republic[1]	20.6	22.3	23.7	25.6	28.1	28.5	23.5
Tajikistan	15.9	17.3	19.3	18.9	20.5	20.5	19.1
Turkmenistan[1]	21.4	20.3	20.5	20.2	17.2	23.5	21.3
Uzbekistan[1]	33.7	31.4	30.4	34.1	35.4	42.2	37.7
Memorandum							
GCC	**39.2**	**42.9**	**49.1**	**51.5**	**48.8**	**54.9**	**37.0**
Maghreb	**32.4**	**33.4**	**37.4**	**39.0**	**37.7**	**43.9**	**34.6**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]General government.
[2]Consolidated accounts of the federal government, and the emirates Abu Dhabi, Dubai, and Sharjah.
[3]Includes oil revenue transferred to the oil fund.
[4]Revised for 2002-04 to include extrabudgetary revenues.

Table 9. Oil Exporters: Central Government Non-Oil Fiscal Balance

(In percent of non-oil GDP)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
Middle Eastern oil exporters	**-32.6**	**-34.6**	**-38.4**	**-40.4**	**-40.8**	**-44.1**	**-39.2**	**-36.6**
Algeria	-30.9	-30.1	-34.7	-36.0	-45.6	-47.2	-48.1	-43.8
Bahrain	-29.1	-28.6	-28.7	-28.5	-28.7	-33.9	-34.3	-33.8
Iran	-17.1	-20.3	-28.0	-30.7	-24.7	-26.0	-16.4	-12.9
Iraq[1]	...	-306.3	-143.5	-88.1	-114.3	-137.8	-140.7	-122.4
Kuwait	-40.5	-45.3	-15.9	-30.3	-30.4	-53.0	-50.7	-46.7
Libya	-65.3	-111.9	-123.7	-127.6	-136.5	-160.2	-129.7	-122.8
Oman	-58.0	-62.7	-63.2	-64.9	-59.1	-60.2	-50.6	-45.3
Qatar	-45.0	-33.0	-50.3	-41.3	-33.5	-28.8	-27.2	-25.3
Saudi Arabia	-46.9	-45.8	-50.9	-52.7	-59.2	-57.2	-61.6	-62.6
Sudan	-7.7	-11.6	-18.8	-18.5	-20.9	-20.1	-9.0	-10.1
United Arab Emirates[2]	-30.4	-22.9	-17.0	-15.0	-15.2	-28.9	-31.1	-26.0
Yemen[1]	-33.7	-35.8	-43.6	-42.6	-43.1	-46.7	-25.4	-24.5
Memorandum								
GCC	**-44.0**	**-42.0**	**-41.2**	**-43.0**	**-45.5**	**-49.1**	**-50.5**	**-48.9**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]General government.

[2]Consolidated accounts of the federal government, and the emirates Abu Dhabi, Dubai, and Sharjah.

Table 10. Oil Exporters: Central Government Non-Oil Revenue

(In percent of non-oil GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009	Proj. 2010
Middle Eastern oil exporters	**13.3**	**14.0**	**15.6**	**16.6**	**17.0**	**16.0**	**13.7**	**13.5**
Algeria	17.0	16.9	17.4	18.4	17.1	18.1	18.0	18.0
Bahrain	11.4	10.3	9.7	9.0	7.1	6.5	5.2	5.4
Iran	9.5	10.1	11.7	12.4	12.5	10.9	9.9	9.3
Iraq[1]	...	3.9	7.3	6.3	9.2	14.8	11.7	12.7
Kuwait	31.8	22.6	48.3	47.0	41.2	31.8	23.5	21.2
Libya	20.8	24.9	20.0	25.2	29.3	36.0	33.6	33.5
Oman	14.7	13.6	13.8	15.3	15.8	15.7	14.5	14.7
Qatar	29.5	35.6	30.9	34.6	41.8	38.5	35.2	38.2
Saudi Arabia	10.8	12.8	11.2	12.1	12.4	14.0	9.4	8.9
Sudan	7.9	11.7	11.2	11.3	10.3	8.9	9.7	10.2
United Arab Emirates[2]	13.5	13.2	16.1	18.0	22.1	15.4	12.6	12.4
Yemen[1]	13.1	12.6	12.8	14.3	14.8	12.4	11.9	12.5
Memorandum								
GCC	**15.1**	**15.6**	**18.1**	**19.2**	**19.9**	**18.5**	**14.4**	**14.5**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]General government.

[2]Consolidated accounts of the federal government, and the emirates Abu Dhabi, Dubai, and Sharjah.

Table 11. Central Government Total Expenditure and Net Lending

(In percent of GDP)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**28.0**	**27.6**	**28.0**	**29.4**	**29.5**	**29.3**	**31.7**
Middle Eastern oil exporters	**28.7**	**28.2**	**28.8**	**30.1**	**30.4**	**29.5**	**33.4**
Algeria[1]	30.8	29.2	29.0	29.4	35.1	35.6	47.1
Bahrain	28.4	26.2	25.5	26.1	26.2	25.7	31.6
Iran	21.0	22.8	28.6	31.7	27.2	28.2	22.5
Iraq[2]	...	130.1	100.8	66.5	66.4	66.5	91.9
Kuwait	38.3	34.5	28.3	31.9	30.8	33.0	41.7
Libya	36.5	39.7	32.1	29.5	35.3	37.1	56.0
Oman	38.3	39.8	35.1	35.8	37.7	34.2	39.5
Qatar	31.3	31.3	32.8	32.4	32.8	25.8	29.2
Saudi Arabia	34.4	32.1	29.6	29.8	32.6	28.3	41.6
Sudan	14.1	20.3	25.4	25.2	26.0	23.3	17.6
United Arab Emirates[3]	30.7	24.5	21.0	21.2	25.2	25.3	32.0
Yemen[2]	32.5	34.2	36.8	37.4	40.3	42.7	29.7
Middle Eastern oil importers	**26.8**	**26.5**	**26.5**	**28.2**	**27.7**	**28.9**	**28.4**
Afghanistan	12.8	15.3	16.6	19.6	19.9	20.9	19.7
Djibouti	33.7	37.5	36.9	37.4	37.7	40.6	37.8
Egypt[2]	32.8	33.9	33.2	37.8	35.3	35.5	36.3
Jordan	35.0	38.3	38.2	36.4	39.4	39.2	37.7
Lebanon	37.7	32.8	30.9	35.5	35.3	34.6	37.5
Mauritania	37.6	37.7	33.7	28.5	29.7	33.2	29.4
Morocco[4]	27.1	26.3	28.7	26.9	27.2	29.8	28.1
Pakistan[2]	18.1	16.4	17.2	18.4	19.2	21.7	19.6
Syria[2]	29.6	31.4	28.5	26.6	25.7	24.2	26.4
Tunisia	27.4	26.6	26.9	26.5	27.1	27.7	26.8
CCA	**24.2**	**24.2**	**24.0**	**23.9**	**26.7**	**29.3**	**32.3**
Armenia	19.8	17.1	19.3	19.4	21.7	21.0	22.9
Azerbaijan[5]	24.3	25.9	22.7	27.4	27.4	31.1	44.4
Georgia[2]	18.6	18.9	24.9	29.7	34.0	37.1	33.5
Kazakhstan[2]	22.2	22.1	22.3	20.2	24.2	27.5	27.0
Kyrgyz Republic[2]	27.6	27.7	28.1	28.9	31.0	29.6	31.0
Tajikistan[2]	19.2	20.3	23.0	21.9	27.8	27.5	27.9
Turkmenistan[2]	20.3	18.9	19.7	14.9	13.3	12.5	16.2
Uzbekistan[2]	35.5	31.6	29.5	29.2	30.5	32.1	34.9
Memorandum							
GCC	**34.2**	**31.5**	**28.5**	**29.1**	**31.3**	**28.5**	**38.4**
Maghreb	**30.3**	**29.8**	**29.1**	**28.4**	**31.9**	**33.2**	**40.5**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]Including special accounts.

[2]General government.

[3]Consolidated accounts of the federal government, and the emirates Abu Dhabi, Dubai, and Sharjah.

[4]Net lending includes balance on special treasury accounts.

[5]Expenditures do not include statistical discrepancy.

Table 12. Total Government Debt

(In percent of GDP)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**62.8**	**56.4**	**46.7**	**40.9**	**35.7**	**32.3**	**32.7**
Middle Eastern oil exporters	**48.0**	**38.3**	**27.0**	**22.4**	**17.8**	**14.8**	**15.7**
Algeria	53.4	36.6	16.0	23.8	12.5	7.2	8.7
Bahrain	32.5	34.4	28.7	23.6	19.3	15.2	25.9
Iran	23.4	26.3	23.7	19.7	17.4	15.1	14.6
Iraq[1]	...	487.3	361.3	205.8	169.8	108.9	136.7
Kuwait	27.9	17.3	11.8	8.3	6.9	5.3	7.5
Libya	27.8	1.4	1.0	0.9	0.0	0.0	0.0
Oman	19.7	15.4	9.6	9.1	6.3	4.5	4.9
Qatar	46.1	27.8	19.3	13.2	9.4	7.0	6.0
Saudi Arabia	85.0	65.0	38.9	27.3	18.7	15.8	15.6
Sudan	153.6	123.0	106.7	89.3	82.3	70.0	84.7
United Arab Emirates[2]	5.7	8.2	9.2	10.0	11.2	9.0	10.8
Yemen[1]	57.7	52.1	43.8	40.8	40.4	36.1	39.9
Middle Eastern oil importers	**89.8**	**90.1**	**84.0**	**75.6**	**69.3**	**64.9**	**63.9**
Afghanistan	...	...	...	...	...	...	...
Djibouti	68.2	73.7	67.6	63.3	58.2	49.8	47.7
Egypt[1]	97.4	112.9	112.8	98.8	87.1	76.5	73.8
Jordan	97.6	91.8	84.0	77.4	76.3	66.1	65.9
Lebanon	162.8	167.1	175.7	179.9	167.8	162.5	161.9
Mauritania[3]	227.7	232.7	208.6	110.5	112.6	93.7	95.7
Morocco	65.9	59.3	63.1	58.1	53.6	48.5	47.5
Pakistan[1]	78.1	67.8	61.2	55.8	54.1	57.4	56.9
Syria[1]	121.4	109.8	56.9	52.1	41.1	30.8	32.6
Tunisia[1]	61.0	59.4	58.3	53.7	50.7	48.2	48.4
CCA	**32.8**	**24.4**	**18.9**	**14.7**	**11.9**	**11.3**	**15.0**
Armenia	44.0	32.4	24.3	18.7	17.5	17.9	27.7
Azerbaijan	22.4	20.2	13.3	10.2	9.1	7.3	11.8
Georgia[1]	60.6	45.7	35.7	27.0	17.2	21.7	26.1
Kazakhstan[1]	17.9	11.4	8.1	6.7	5.8	6.8	11.4
Kyrgyz Republic[1]	107.3	92.9	85.9	72.5	56.8	49.2	51.9
Tajikistan	83.4	43.1	42.9	36.1	35.2	29.1	39.2
Turkmenistan[1]	22.4	9.0	5.4	3.3	2.4	2.7	2.3
Uzbekistan[1]	46.6	35.1	28.2	21.3	15.8	12.7	10.4
Memorandum							
GCC	**58.7**	**43.9**	**27.5**	**19.9**	**14.5**	**11.9**	**12.5**
Maghreb	**55.7**	**42.4**	**33.5**	**34.2**	**27.5**	**23.4**	**24.1**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]General government.

[2]Consolidated accounts of the federal government, and the emirates Abu Dhabi, Dubai, and Sharjah.

[3]Includes oil revenue transferred to the oil fund.

Table 13. Exports of Goods and Services

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**374.6**	**532.3**	**721.7**	**869.8**	**1009.3**	**1356.7**	**907.2**
Middle Eastern oil exporters	**299.6**	**435.8**	**609.9**	**740.3**	**857.4**	**1163.7**	**735.9**
Algeria	24.5	34.1	48.8	57.3	63.5	82.6	43.0
Bahrain	7.7	10.2	13.3	15.5	17.2	21.1	13.8
Iran	35.8	49.8	70.8	82.8	104.7	110.9	75.5
Iraq	…	17.8	23.5	30.3	38.7	62.2	36.2
Kuwait	23.0	33.8	51.7	66.9	73.3	99.1	59.0
Libya	15.0	20.8	31.9	40.2	45.5	63.6	35.6
Oman	12.3	14.1	19.4	22.5	24.9	31.6	21.5
Qatar	14.2	20.7	28.7	39.3	51.3	79.5	63.5
Saudi Arabia	92.9	132.4	188.0	219.2	242.8	325.8	183.1
Sudan	2.4	3.8	5.0	6.0	9.3	12.9	6.5
United Arab Emirates	64.0	93.2	122.0	152.5	178.4	264.9	191.5
Yemen	4.2	5.0	6.8	7.9	7.8	9.4	6.8
Middle Eastern oil importers	**68.0**	**96.5**	**111.8**	**129.5**	**151.9**	**192.9**	**171.2**
Afghanistan	1.7	1.7	1.9	1.9	2.0	2.3	2.2
Djibouti	0.2	0.3	0.3	0.3	0.3	0.4	0.5
Egypt	17.9	22.9	28.0	33.0	38.5	53.3	44.0
Jordan	4.5	6.0	6.6	8.1	9.2	12.2	11.1
Lebanon	7.9	10.5	11.3	13.7	16.0	22.8	23.9
Mauritania	0.4	0.5	0.7	1.5	1.5	1.8	1.6
Morocco	12.9	16.6	18.8	21.7	27.5	32.7	28.3
Pakistan	11.9	15.1	17.8	20.3	21.4	23.7	22.8
Syria	7.8	9.8	11.9	13.1	15.6	19.0	16.7
Tunisia	10.3	13.2	14.5	15.8	19.9	24.7	20.1
CCA	**23.6**	**41.0**	**54.8**	**75.6**	**100.8**	**141.4**	**92.1**
Armenia	0.7	1.1	1.4	1.5	1.8	1.8	1.3
Azerbaijan	2.9	4.2	8.3	14.0	22.5	32.1	17.6
Georgia	1.2	1.6	2.2	2.6	3.2	3.6	2.8
Kazakhstan	14.0	22.6	30.5	41.6	51.9	76.4	42.5
Kyrgyz Republic	0.7	1.0	1.1	1.5	2.2	3.1	2.7
Tajikistan	0.9	1.2	0.6	0.7	0.8	0.8	0.8
Turkmenistan	3.3	4.2	5.3	7.5	9.5	11.8	12.8
Uzbekistan	3.7	5.0	5.4	6.3	8.9	11.8	11.5
Memorandum							
GCC	**190.5**	**304.4**	**423.1**	**515.9**	**587.9**	**822.0**	**532.4**
Maghreb	**58.0**	**85.2**	**114.8**	**136.5**	**157.9**	**205.5**	**128.6**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 14. Imports of Goods and Services

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**304.0**	**428.1**	**512.5**	**613.4**	**757.4**	**1003.5**	**950.7**
Middle Eastern oil exporters	**213.0**	**311.1**	**370.7**	**446.3**	**556.6**	**741.8**	**718.3**
Algeria	15.2	21.8	24.6	25.5	33.3	47.5	47.3
Bahrain	6.0	8.2	10.2	11.3	12.3	15.7	11.0
Iran	31.5	49.0	55.0	63.3	71.7	94.1	93.8
Iraq	...	24.3	24.9	24.1	26.7	42.1	38.8
Kuwait	14.7	19.2	22.8	25.8	31.2	35.4	33.4
Libya	7.9	10.7	13.5	15.9	20.5	25.4	29.7
Oman	8.0	10.6	11.1	13.6	18.9	23.2	17.0
Qatar	6.0	8.3	12.6	21.8	27.1	39.7	50.2
Saudi Arabia	58.5	71.0	88.3	114.3	146.0	179.4	184.0
Sudan	3.2	4.7	7.7	10.0	11.0	12.7	9.0
United Arab Emirates	53.1	78.4	93.9	112.9	148.5	217.4	196.8
Yemen	4.0	4.9	6.0	7.8	9.4	9.3	7.3
Middle Eastern oil importers	**83.3**	**117.0**	**141.8**	**167.1**	**200.8**	**261.7**	**232.4**
Afghanistan	4.4	5.6	6.8	7.4	8.4	9.4	9.4
Djibouti	0.3	0.3	0.4	0.5	0.6	0.8	0.7
Egypt	21.4	23.3	30.2	38.2	44.9	63.1	59.5
Jordan	6.9	9.4	11.9	13.2	15.7	19.1	17.6
Lebanon	12.2	15.2	14.9	16.8	20.7	28.2	28.3
Mauritania	0.7	1.2	1.8	0.4	1.9	2.5	2.1
Morocco	14.8	19.8	22.8	26.1	34.6	45.5	36.6
Pakistan	13.5	17.7	25.6	33.2	35.3	45.3	38.0
Syria	7.3	10.4	12.9	14.7	18.0	21.7	19.5
Tunisia	11.1	14.0	14.6	16.4	20.6	26.1	20.7
CCA	**23.4**	**40.2**	**48.9**	**60.8**	**82.6**	**97.9**	**83.3**
Armenia	1.2	1.6	2.1	2.5	3.6	4.7	3.6
Azerbaijan	3.7	6.3	7.0	8.1	9.4	11.5	12.1
Georgia	1.7	2.5	3.3	4.4	5.9	7.4	5.6
Kazakhstan	12.7	18.9	25.5	32.9	44.9	49.5	36.8
Kyrgyz Republic	0.8	1.1	1.4	2.3	3.2	4.7	4.0
Tajikistan	1.0	1.5	1.2	1.6	2.6	3.5	2.8
Turkmenistan	3.0	4.1	3.9	3.6	4.9	6.7	8.6
Uzbekistan	3.3	4.2	4.5	5.4	8.2	9.9	9.9
Memorandum							
GCC	**131.7**	**195.8**	**238.9**	**299.7**	**384.1**	**510.7**	**492.4**
Maghreb	**44.1**	**67.5**	**77.3**	**84.4**	**110.9**	**147.0**	**136.5**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 15. Current Account Balance

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**65.6**	**97.8**	**219.6**	**279.1**	**280.3**	**369.1**	**-36.4**	**40.7**
Middle Eastern oil exporters	**65.1**	**96.8**	**224.3**	**286.8**	**292.6**	**397.8**	**-9.6**	**71.7**
Algeria	8.1	11.1	21.2	29.0	30.6	37.1	-2.2	2.1
Bahrain	0.3	0.5	1.5	2.2	2.9	2.3	0.3	0.7
Iran	4.9	1.4	16.6	20.4	34.1	17.8	-17.9	-13.3
Iraq	...	-10.2	1.9	7.6	9.6	17.4	-4.2	2.6
Kuwait	11.0	18.2	34.3	50.6	50.0	70.6	27.4	35.5
Libya	5.8	7.4	17.5	25.2	23.6	39.2	5.2	8.7
Oman	1.6	0.6	4.7	4.3	2.4	3.2	-0.1	1.0
Qatar	5.2	7.1	14.1	16.1	22.0	36.1	7.4	24.2
Saudi Arabia	23.2	52.1	90.6	99.6	95.8	139.0	-6.8	19.2
Sudan	-1.4	-1.4	-3.0	-5.5	-5.8	-5.4	-6.1	-6.0
United Arab Emirates	8.0	9.8	24.3	37.1	29.0	41.1	-12.0	-2.5
Yemen	0.6	0.2	0.6	0.2	-1.5	-0.5	-0.7	-0.4
Middle Eastern oil importers	**-0.6**	**1.0**	**-4.7**	**-7.6**	**-12.3**	**-28.7**	**-26.8**	**-30.9**
Afghanistan	-0.4	-0.3	-0.2	-0.4	0.1	-0.2	-0.5	-0.7
Djibouti	0.0	0.0	0.0	-0.1	-0.2	-0.4	-0.2	-0.2
Egypt	1.0	3.4	2.9	0.9	1.9	0.9	-5.7	-8.4
Jordan	0.4	0.1	-2.2	-1.6	-2.9	-2.4	-2.3	-2.5
Lebanon	-3.0	-3.3	-2.9	-1.3	-1.8	-3.3	-3.3	-3.3
Mauritania	-0.2	-0.5	-0.9	0.0	-0.3	-0.5	-0.3	-0.6
Morocco	1.0	1.0	1.1	1.4	0.1	-4.8	-2.1	-2.7
Pakistan	1.8	1.8	-1.5	-5.0	-6.9	-14.0	-9.6	-8.3
Syria	0.5	-0.4	-0.6	-0.9	-1.4	-2.2	-1.6	-2.6
Tunisia	-0.8	-0.8	-0.3	-0.6	-0.9	-1.8	-1.2	-1.7
CCA	**-0.9**	**-1.6**	**0.3**	**5.2**	**3.4**	**26.0**	**-0.8**	**10.4**
Armenia	-0.2	0.0	-0.1	-0.1	-0.6	-1.5	-1.2	-1.1
Azerbaijan	-1.1	-2.6	0.2	3.7	9.0	16.5	4.1	8.6
Georgia	-0.3	-0.3	-0.7	-1.2	-2.0	-2.9	-1.8	-2.0
Kazakhstan	-0.3	0.3	-1.1	-2.0	-8.2	7.0	-6.6	1.3
Kyrgyz Republic	0.0	0.1	0.1	-0.1	0.0	-0.3	-0.3	-0.4
Tajikistan	0.0	-0.1	-0.1	-0.1	-0.4	-0.5	-0.5	-0.5
Turkmenistan	0.3	0.1	0.9	3.4	4.0	4.0	3.1	2.0
Uzbekistan	0.3	0.9	1.1	1.6	1.6	3.8	2.4	2.4
Memorandum								
GCC	**41.4**	**88.2**	**169.5**	**209.9**	**202.0**	**292.3**	**16.2**	**78.1**
Maghreb	**14.1**	**18.2**	**38.5**	**54.9**	**53.1**	**69.2**	**-0.5**	**5.8**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 16. Current Account Balance

(In percent of GDP)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**8.5**	**8.5**	**15.8**	**17.0**	**14.7**	**15.2**	**-1.7**	**1.7**
Middle Eastern oil exporters	**11.7**	**11.7**	**21.8**	**23.3**	**20.5**	**21.5**	**-0.6**	**4.1**
Algeria	12.7	13.1	20.6	24.8	22.6	23.2	-1.7	1.4
Bahrain	3.8	4.2	11.0	13.8	15.8	10.6	1.6	3.6
Iran	4.5	0.9	8.8	9.2	11.9	5.2	-5.0	-3.5
Iraq	...	-39.6	6.1	15.4	15.5	19.1	-6.1	3.2
Kuwait	24.8	30.6	42.5	49.8	44.7	44.7	25.8	29.3
Libya	17.5	22.3	38.4	45.8	33.8	39.2	9.7	13.4
Oman	7.6	2.4	15.2	12.1	5.9	6.1	-0.2	2.1
Qatar	24.0	22.4	33.2	28.3	30.9	35.3	7.5	18.1
Saudi Arabia	10.6	20.8	28.7	27.9	25.1	28.9	-1.8	4.5
Sudan	-9.2	-6.5	-11.1	-15.2	-12.5	-9.3	-11.6	-10.0
United Arab Emirates	9.9	9.1	18.0	22.6	16.1	15.8	-5.6	-1.0
Yemen	5.6	1.6	3.8	1.1	-7.0	-2.0	-2.3	-1.3
Middle Eastern oil importers	**0.8**	**0.3**	**-1.3**	**-1.8**	**-2.6**	**-5.0**	**-4.5**	**-4.8**
Afghanistan	-8.1	-4.9	-2.8	-4.9	0.9	-1.5	-3.7	-4.7
Djibouti	-2.3	-1.3	-3.2	-14.7	-25.6	-39.2	-16.1	-16.6
Egypt	1.2	4.3	3.2	0.8	1.4	0.5	-3.0	-4.1
Jordan	3.9	0.8	-17.4	-10.8	-17.7	-12.1	-10.8	-10.6
Lebanon	-15.9	-15.5	-13.4	-5.6	-7.1	-11.4	-10.5	-10.0
Mauritania	-13.2	-34.6	-47.2	-1.3	-11.4	-15.7	-9.0	-16.4
Morocco	2.3	1.7	1.8	2.2	0.2	-5.6	-2.5	-3.0
Pakistan	2.2	1.8	-1.4	-3.9	-4.8	-8.4	-5.9	-4.9
Syria	2.6	-1.6	-2.2	-2.8	-3.3	-4.0	-3.1	-4.4
Tunisia	-3.7	-2.7	-1.0	-2.0	-2.6	-4.5	-2.9	-4.3
CCA	**-1.9**	**-1.8**	**0.3**	**3.2**	**1.6**	**9.9**	**-0.4**	**4.1**
Armenia	-7.5	-0.5	-1.0	-1.8	-6.4	-12.6	-11.4	-10.5
Azerbaijan	-14.9	-29.8	1.3	17.6	28.8	35.5	10.8	18.4
Georgia	-7.3	-6.7	-10.9	-15.1	-19.6	-22.6	-16.4	-16.7
Kazakhstan	-1.3	0.8	-1.8	-2.5	-7.8	5.3	-6.4	1.1
Kyrgyz Republic	-0.6	4.9	2.8	-3.1	-0.2	-6.5	-6.3	-8.4
Tajikistan	-3.1	-3.9	-2.7	-2.8	-11.2	-8.8	-9.7	-8.3
Turkmenistan	4.0	0.6	5.1	15.7	15.4	19.6	15.7	9.2
Uzbekistan	3.0	7.2	7.7	9.1	7.3	13.6	7.7	6.8
Memorandum								
GCC	**12.4**	**18.2**	**27.4**	**28.7**	**25.1**	**27.2**	**1.9**	**7.9**
Maghreb	**8.5**	**8.9**	**16.1**	**20.2**	**16.7**	**17.8**	**-0.1**	**1.6**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

Table 17. Gross Official Reserves

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**191.3**	**257.8**	**312.4**	**601.9**	**844.5**	**1040.0**	**993.9**
Middle Eastern oil exporters	**124.0**	**178.2**	**228.4**	**504.0**	**730.4**	**918.6**	**875.2**
Algeria	25.8	43.1	56.2	77.8	110.2	143.1	...
Bahrain	1.4	1.6	1.9	2.7	4.1	3.8	...
Iran	21.7	33.3	46.8	60.5	82.9	84.9	...
Iraq	6.1	7.9	12.0	20.0	31.5	50.2	...
Kuwait	7.9	7.3	8.1	11.8	15.9	17.8	...
Libya	16.8	25.9	39.3	59.2	78.3	120.2	...
Oman	3.1	3.6	4.4	5.0	6.4	9.8	...
Qatar	2.0	3.4	4.6	5.4	9.8	10.0	...
Saudi Arabia[1]	21.8	27.5	26.8	225.2	305.3	431.9	...
Sudan	0.3	0.8	1.7	1.7	1.4	1.4	...
United Arab Emirates	15.4	18.7	21.3	28.0	77.9	38.1	...
Yemen	4.0	5.1	5.3	6.8	7.0	7.3	...
Middle Eastern oil importers	**61.8**	**79.6**	**84.0**	**97.9**	**114.1**	**121.5**	**118.7**
Afghanistan	0.9	1.3	1.7	2.0	2.8	3.0	...
Djibouti	0.1	0.1	0.1	0.1	0.1	0.2	...
Egypt	14.6	14.8	19.3	23.0	28.4	33.8	...
Jordan	3.7	4.8	4.7	6.2	6.9	7.7	...
Lebanon	7.1	9.6	9.6	11.4	11.5	18.8	...
Mauritania	0.0	0.0	0.1	0.2	0.2	0.2	...
Morocco	10.6	16.3	16.1	20.2	24.0	22.0	...
Pakistan	5.4	10.6	9.8	10.8	14.3	8.6	...
Syria	22.7	18.1	18.2	17.2	17.9	18.1	...
Tunisia	2.6	4.0	4.4	6.8	8.0	9.0	...
CCA	**8.0**	**16.7**	**17.4**	**37.2**	**47.0**	**57.2**	**54.0**
Armenia	0.4	0.5	0.7	1.1	1.7	1.4	...
Azerbaijan	0.8	1.1	1.2	2.5	4.3	6.5	...
Georgia	0.2	0.4	0.5	0.9	1.4	1.5	...
Kazakhstan	4.4	9.3	7.1	19.1	17.6	19.4	...
Kyrgyz Republic	0.3	0.5	0.6	0.8	1.2	1.2	...
Tajikistan	0.1	0.1	0.1	0.1	0.1	0.2	...
Turkmenistan	2.3	2.7	4.5	8.1	13.2	17.5	...
Uzbekistan	1.5	2.1	2.9	4.7	7.5	9.5	...
Memorandum							
GCC	**48.3**	**62.1**	**67.0**	**278.1**	**419.2**	**511.4**	**494.5**
Maghreb	**44.0**	**89.4**	**116.1**	**164.2**	**220.7**	**294.6**	**294.8**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]Saudi Arabia Monetary Agency gross foreign assets.

Table 18. Total Gross External Debt

(In percent of GDP) [1]

	Average 2000–04	2004	2005	2006	2007	2008	Proj. 2009
MENAP	**39.8**	**39.8**	**34.0**	**32.4**	**34.8**	**26.9**	**30.5**
Middle Eastern oil exporters	**35.0**	**35.0**	**29.8**	**29.1**	**34.4**	**25.1**	**29.7**
Algeria	37.5	25.6	16.7	4.8	3.8	2.7	2.8
Bahrain	48.9	51.1	43.3	53.4	139.5	158.0	186.0
Iran	10.5	14.3	13.2	10.4	9.4	7.0	6.0
Iraq	...	476.2	351.6	201.0	165.3	105.2	131.7
Kuwait	26.3	20.4	20.4	26.0	23.5	16.9	25.5
Libya	18.6	16.7	12.3	10.1	8.0	5.6	8.9
Oman	25.0	17.8	12.2	15.0	17.2	17.2	20.8
Qatar	68.6	47.3	48.1	52.4	66.4	59.9	64.4
Saudi Arabia	12.2	9.4	9.4	10.8	18.8	16.2	21.2
Sudan	140.9	115.8	98.6	78.1	68.5	58.1	70.3
United Arab Emirates[2]	23.6	23.2	30.3	50.2	74.0	33.3	39.7
Yemen	45.9	38.5	30.9	28.7	26.9	21.7	21.5
Middle Eastern oil importers	**53.2**	**51.8**	**45.8**	**42.1**	**36.2**	**32.6**	**32.3**
Afghanistan	14.0	14.2	184.0	155.0	20.8	18.8	10.1
Djibouti	58.5	67.8	62.0	56.8	63.6	59.2	60.9
Egypt	32.5	37.9	32.2	28.8	23.0	20.9	16.8
Jordan[3]	76.3	66.1	56.5	49.3	44.8	25.8	23.3
Lebanon	158.8	187.4	185.5	198.9	194.1	190.8	182.1
Mauritania	233.7	210.8	132.9	94.1	96.1	59.9	59.7
Morocco	38.5	29.1	24.2	23.9	23.7	21.3	21.3
Pakistan	41.6	34.0	31.1	28.0	26.9	26.5	31.9
Syria	79.8	73.3	23.4	19.2	14.5	10.5	12.0
Tunisia[4]	67.2	69.1	62.3	59.6	57.4	51.1	49.8
CCA	**52.3**	**51.1**	**48.0**	**54.5**	**53.0**	**47.6**	**53.3**
Armenia	40.6	33.1	22.4	18.9	17.3	15.3	21.7
Azerbaijan[5]	19.7	18.5	12.5	9.4	8.1	6.5	10.2
Georgia	50.1	41.7	32.7	30.0	30.7	35.6	42.6
Kazakhstan	72.4	75.8	76.0	91.4	92.2	80.4	96.7
Kyrgyz Republic	111.4	95.2	85.5	77.7	60.2	45.8	49.2
Tajikistan	97.8	56.4	51.5	42.7	40.9	43.5	45.3
Turkmenistan	22.3	9.0	5.4	3.3	2.4	2.7	2.3
Uzbekistan	38.6	35.8	28.9	22.1	16.7	13.6	12.9
Memorandum							
GCC	**20.9**	**17.7**	**19.0**	**26.1**	**38.7**	**27.4**	**34.9**
Maghreb	**39.5**	**32.5**	**24.2**	**17.7**	**16.1**	**13.0**	**15.3**

Sources: Data provided by country authorities; and IMF staff estimates and projections.

[1]Nominal GDP is converted to U.S. dollars using period average exchange rate.

[2]Net debt (gross external debt minus foreign assets) is significantly negative.

[3]Excludes deposits of non-residents held in the banking system.

[4]Includes bank deposits of non-residents.

[5]Public and publicly guaranteed debt, as private debt data are not reliable.

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