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Middle East and Central Asia

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Preface

The Middle East and Central Asia *Regional Economic Outlook* (REO) is prepared biannually by the IMF's Middle East and Central Asia Department (MCD). The analysis and projections contained in the MCD REO are integral elements of the Department's surveillance of economic developments and policies in 30 member countries. It draws primarily on information gathered by IMF staff through their consultations with member countries.

The analysis in this report was coordinated under the general supervision of Masood Ahmed (Director of MCD). The project was directed by Ratna Sahay (Deputy Director in MCD) and Ralph Chami (Division Chief in MCD).

The primary contributors to this report are Yasser Abdih, Adolfo Barajas, Andreas Bauer, Paul Cashin, Ana Lucía Coronel, Mark Horton, Ananthakrishnan Prasad, Tobias Rasmussen, David Robinson, and Axel Schimmelfennig. Other contributors include Ali Al-Eyd, David Amaglobeli, Veronica Bacalu, Svetlana Cerovic, Joshua Charap, Jemma Dridi, Dominique Guillaume, Nadeem Ilahi, Annette Kyobe, Agustín Roitman, Dmitriy Rozhkov, Niklas Westelius, and Roman Zyteck.

Jaime Espinosa provided research assistance and managed the database and the computer systems, with support from Gohar Abajyan, Arthur Ribeiro, Renas Sidahmed, and Chunfang Yang. Jasmine Lief was responsible for word processing and document management, with support from Naghmeh Djahanyekta and Sanaa Farid. In close collaboration with Joanne Blake and Martha Bonilla of the External Relations Department, Kia Penso edited the manuscript, and Christine Ebrahimzadeh managed the production of the publication.

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 oil¹ will average US\$107.16 per barrel in 2011 and US\$108 in 2012; and that the six-month London interbank offered rate (LIBOR) on U.S. dollar deposits will average 0.6 percent in 2011 and 0.9 percent in 2012. 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 estimates and projections are based on statistical information available through late March 2011.

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, 2009–10 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, 2009/10) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2010).
- “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 $\frac{1}{4}$ 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.

¹Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil.

Country and Regional Groupings

The April 2011 *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 2010 and prospects and policy issues for the remainder of 2011. To facilitate the analysis, the 30 MCD countries covered in this report are divided into two groups: (1) countries of the Middle East, North Africa, Afghanistan, and Pakistan (MENAP)—which are further subdivided into oil exporters and oil importers; and (2) countries of the Caucasus and Central Asia (CCA). The country acronyms used in some figures are included in parentheses.

MENAP oil exporters¹ comprise Algeria (ALG), Bahrain (BHR), Iran (IRN), Iraq (IRQ), Kuwait (KWT), Libya (LBY), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), Sudan (SDN), the United Arab Emirates (UAE), and Yemen (YMN).

MENAP oil importers comprise Afghanistan (AFG), Djibouti (DJI), Egypt (EGY), Jordan (JOR), Lebanon (LBN), Mauritania (MRT), Morocco (MAR), Pakistan (PAK), Syria (SYR), and Tunisia (TUN).

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:

MENA comprises Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Mauritania, Morocco, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen.

The **GCC** (Gulf Cooperation Council) comprises 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.

The **CIS** (Commonwealth of Independent States) comprises Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Georgia and Mongolia, which are not members of the CIS, are included in this group for reasons of geography and similarities in economic structure.

¹Due to the uncertain economic situation, Libya is excluded from the projection years of REO aggregates.

World Economic Outlook¹

The global economic recovery is gaining strength, but unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. World growth is forecast to be about 4½ percent in 2011, down modestly from 5 percent in 2010 (see table). Real GDP in advanced economies and emerging and developing economies is expected to expand by about 2½ percent and 6½ percent, respectively. Downside risks have diminished but continue to outweigh upside risks.

In advanced economies, the handoff from public to private demand is advancing, reducing concerns that diminishing fiscal policy support might cause a “double-dip” recession. Financial conditions are improving, but weak sovereign balance sheets and still-moribund real estate markets continue to present major concerns, especially in certain euro area economies. Financial risks are also to the downside as a result of the high funding requirements of banks and sovereigns. New downside risks are building on account of rising commodity prices, notably for oil, and, relatedly, geopolitical uncertainty, as well as overheating and booming asset markets in emerging market economies. However, there is also the potential for upside surprises to growth in the short term, owing to strong corporate balance sheets in advanced economies and buoyant demand in emerging and developing economies.

In many emerging market economies, demand is robust, and overheating is a growing policy concern. Developing economies, particularly in sub-Saharan Africa, have also resumed fast and sustainable growth. However, rising food and commodity prices pose a threat to the real incomes of poor households, adding to social and economic tensions, notably in the Middle East and North Africa. Oil price increases since January 2011 and information on supply, including on spare capacity, suggest that the latest supply disruptions so far would have only mild effects on economic activity.

In advanced economies, strengthening the recovery will require keeping monetary policy accommodative as long as wage pressures are subdued, inflation expectations are well anchored, and bank credit is sluggish. At the same time, fiscal positions need to be placed on sustainable medium-term paths by implementing fiscal consolidation plans and entitlement reforms supported by stronger fiscal rules and institutions. The need is particularly urgent in the United States to stem the risk of globally destabilizing changes in bond markets. More generally, greater trust needs to be reestablished in euro area banks through ambitious stress tests and restructuring and recapitalization programs. In Japan, where an earthquake has exacted a terrible human toll, the immediate fiscal priority is to support reconstruction. The challenge for many emerging and some developing economies is to ensure that present boom-like conditions do not develop into overheating over the coming year. Many of these economies will also need to provide well-targeted support for poor households that struggle with high food prices.

Greater progress in advancing global demand rebalancing is essential to put the recovery on a stronger footing over the medium term. This will require action by many countries, notably fiscal adjustment in key external deficit economies and greater exchange rate flexibility and structural reforms that eliminate distortions that boost savings in key surplus economies.

Overview of the World Economic Outlook Projections

(Percent change)

	2009	Year-over-Year Projections	
		2010	2011
World output	-0.5	5.0	4.4
Advanced economies	-3.4	3.0	2.4
Of which: United States	-2.6	2.8	2.8
European Union	-4.1	1.8	1.8
Emerging and developing economies	2.7	7.3	6.5
Of which: MENAP	2.1	3.9	3.9
CCA	3.7	6.6	5.7
Commonwealth of Independent States	-6.4	4.6	5.0
Of which: Russia	-7.8	4.0	4.8
World trade volume (goods and services)	-10.9	12.4	7.4
Commodity prices			
Oil ¹	-36.3	27.9	35.6
Nonfuel ²	-15.8	26.3	25.1

Sources: IMF, *World Economic Outlook and Regional Economic Outlook* (April 2011).

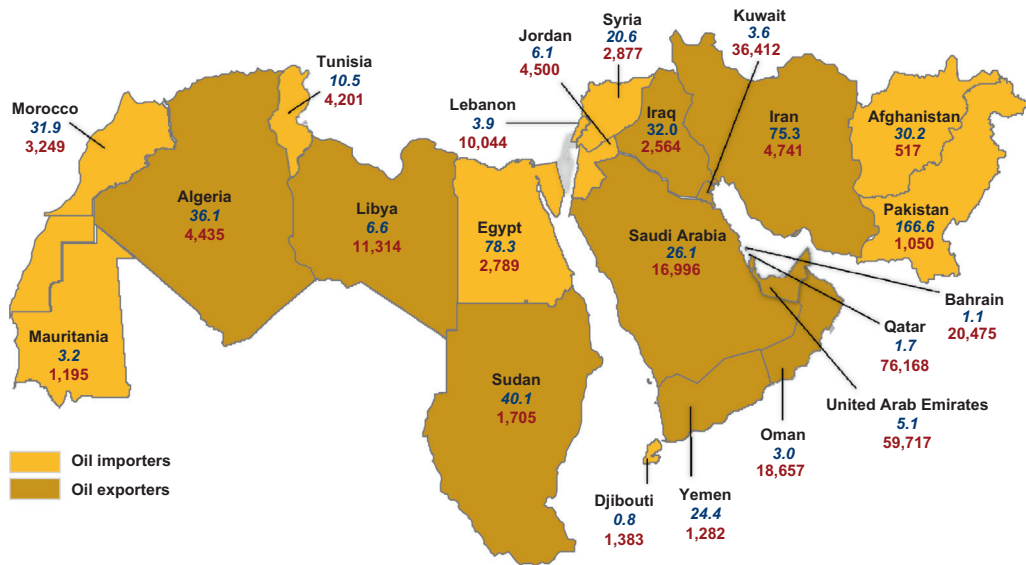
¹Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$79.0 in 2010; the assumed price based on future markets is \$107.2 in 2011 and \$108.0 in 2012.

²Average (measured in U.S. dollars) based on world commodity export weights.

¹ See IMF, *World Economic Outlook and Global Financial Stability Report* (both April 2011) for more information.

Middle East, North Africa, Afghanistan, and Pakistan

Population, millions (2010)
 GDP per capita, U.S. dollars (2010)



Sources: IMF Regional Economic Outlook database; and Microsoft Map Land.
 Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

MENAP Highlights

The Middle East and North Africa is going through a period of unprecedented change. Even though it is clear today that the popular uprisings are born of a desire for greater political, social, and economic freedom, their timing came as a surprise to everyone, including the IMF. The roots of these uprisings are political, but economic causes are inextricably entwined.

Until late 2010, the region was on track for a recovery from the global crisis. Growth accelerated to 3.9 percent in 2010 from 2.1 percent in 2009, mainly driven by the region's oil exporters. Nevertheless, the slow growth equilibrium of the past years did not generate enough jobs for the growing labor force.

The unfolding events make it clear that reforms, and even rapid economic growth as seen periodically in Tunisia and Egypt, cannot be sustained unless they create jobs for the rapidly growing labor force and are accompanied by social policies for the most vulnerable. For growth to be sustainable, it must be inclusive and broadly shared, and not just captured by a privileged few. Endemic corruption in the region is an unacceptable affront to the dignity of its citizens, and the absence of transparent and fair rules of the game will inevitably undermine inclusive growth.

At the same time, a socially inclusive agenda will not survive unless macroeconomic and financial stability prevails. Its absence can test even countries with strong institutions, as the recent global crisis has shown. During the current period of turmoil and uncertainty in the region, it is all the more vital to contain rising fiscal imbalances, growing debt and debt-servicing costs, inflation, and capital flight. These threats to macroeconomic and financial stability—if not arrested quickly—could undermine confidence and derail the pursuit of any new social agenda.

Two developments mark the outlook: the unrest in the region and the surge in global fuel and food prices. As a result, the near-term economic outlook is subject to unusually large uncertainties stemming from the fluid political and security situation in a number of countries.

For most oil exporters, the expected increase in oil prices—from US\$79 per barrel to US\$107 per barrel—and production volumes will lead to higher growth in 2011 and stronger fiscal and external balances, notwithstanding recent increases in government spending. Average real GDP growth (excluding Libya) is projected to reach 4.9 percent in 2011 compared with 3.5 percent in 2010, while non-oil growth is projected to stay at 3.5 percent in 2011. For the GCC, growth is projected to reach 7.8 percent in 2011 as oil production expands to stabilize global oil supply in the face of supply disruptions elsewhere. GCC non-oil growth is set to accelerate by more than 1 percentage point to 5.3 percent in 2011. The oil exporters' combined external current account surplus is estimated to increase from US\$172 billion to US\$378 billion (excluding Libya), and for the GCC from US\$136 billion to US\$304 billion.

The economic outlook for the oil importers is mixed. For Egypt and Tunisia we project this year's growth to be 2½–4 percentage points lower than in 2010, reflecting disruptions to economic activity during the protests, a decline in tourism, and lower investment. Political uncertainty is also weighing on Lebanon's economy, and growth in Pakistan is still held back by the effects of last year's floods. In most other countries, however, growth has continued to pick up, with Jordan, Mauritania, and Morocco benefiting from high prices for phosphate and iron ore.

Governments across the region are responding to political developments—and higher commodity prices—with expansions of fuel and food subsidies, civil service wage and pension increases, additional cash transfers, tax reductions, and other spending increases. The size of the national fiscal packages in 2011 ranges from less than ½ percent of GDP in some MENA oil importers to about 22 percent of GDP in Saudi Arabia

(with the spending spread over several years). While some countries can easily afford this extra spending, others will find it straining public finances and debt levels: support from the international community would help bridge financing needs and contain the buildup of debt.

Headline inflation has accelerated across the region, mainly driven by higher international commodity prices. However, there are indications that food and fuel inflation are spilling over into core inflation. More generally, with food and fuel accounting for about half of MCD countries' consumer price indices, and commodity price shocks likely to be rather persistent, regional central banks will need to pay greater attention to headline inflation when setting policy rates and the overall stance of monetary policy. Upward pressure on policy rates will also come from a rising global interest rate environment and increasing sovereign risk premiums.

Beyond the immediate challenges, the recent uprisings provide a great opportunity to lay the foundation for a socially inclusive growth agenda for the Middle East. Each country must find its own homegrown path for change that is broadly owned, but all will need to respond to some common goals to realize the region's longer-term potential: a stable macroeconomic environment to provide confidence and attract investment; enough private-sector jobs to absorb the currently unemployed and a fast-growing labor force; access to economic opportunity for citizens to realize their potential; social protection for the vulnerable; and strong and transparent institutions that ensure accountability and good governance. The aim is not just sustained high growth, but also growth that is more inclusive and results in broadly shared development gains.

At the time of writing this *Regional Economic Outlook*, there were many uncertainties about the MENA region's future. Nonetheless, the region has many strengths on which to build: a dynamic and young population, vast natural resources, a large regional market, an advantageous geographic position, and access to key markets. While the months ahead will be challenging and inevitably marked by setbacks, there is a momentum for change to build upon.

MENAP Region: Selected Economic Indicators, 2000–11

(Percent of GDP, unless otherwise indicated)

	Average 2000–07	2008	2009	2010	Proj. 2011
MENAP¹					
Real GDP (annual growth)	5.4	4.7	2.1	3.9	3.9
Current Account Balance	9.5	13.3	1.7	5.9	11.7
Overall Fiscal Balance	3.2	6.7	-3.6	-0.2	2.4
Inflation, p.a. (annual growth)	6.2	14.3	7.6	7.5	10.8
MENAP Oil Exporters¹					
Real GDP (annual growth)	5.6	4.7	0.7	3.5	4.9
Current Account Balance	13.4	18.8	4.2	9.2	16.9
Overall Fiscal Balance	7.3	12.9	-2.7	3.0	7.5
Inflation, p.a. (annual growth)	6.9	14.8	5.8	6.8	10.9
Of Which: Gulf Cooperation Council					
Real GDP (annual growth)	5.6	7.2	0.2	5.0	7.8
Current Account Balance	15.7	22.5	7.6	12.5	21.7
Overall Fiscal Balance	11.9	24.7	-0.8	7.2	12.6
Inflation, p.a. (annual growth)	2.2	11.0	3.0	3.2	5.3
MENAP Oil Importers					
Real GDP (annual growth)	4.8	4.8	4.7	4.7	2.3
Current Account Balance	-0.8	-4.6	-4.6	-3.3	-4.1
Overall Fiscal Balance	-5.1	-5.4	-5.2	-6.0	-6.8
Inflation, p.a. (annual growth)	4.7	13.3	11.1	8.8	10.7
<i>Memorandum</i>					
MENA¹					
Real GDP (annual growth)	5.4	5.1	1.8	3.8	4.1
Current Account Balance	10.4	14.9	2.4	6.5	12.7
Overall Fiscal Balance	4.1	8.6	-3.4	0.6	3.3
Inflation, p.a. (annual growth)	6.2	14.5	6.1	7.0	10.2
MENA Oil Importers					
Real GDP (annual growth)	4.7	6.4	4.8	4.5	1.9
Current Account Balance	-1.0	-3.1	-4.2	-3.8	-5.2
Overall Fiscal Balance	-6.6	-4.5	-5.4	-6.2	-7.9
Inflation, p.a. (annual growth)	4.2	13.5	7.0	7.6	8.3

Sources: National authorities; and IMF staff calculations and projections.

¹2011 data exclude Libya.

MENAP: (1) Oil Exporters: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Sudan, the United Arab Emirates, and Yemen; (2) Oil Importers: Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Syria, and Tunisia.

MENA: MENAP excluding Afghanistan and Pakistan.

منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان: مؤشرات اقتصادية مختارة، ٢٠١١-٢٠٠٠						
(% من إجمالي الناتج المحلي، ما لم يذكر خلاف ذلك)						
توقعات	٢٠١١	٢٠١٠	٢٠٠٩	٢٠٠٨	متوسط -٢٠٠٠ ٢٠٠٧	
منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان^١						
	٣,٩	٣,٩	٢,١	٤,٧	٥,٤	
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	١١,٧	٥,٩	١,٧	١٣,٣	٩,٥	
رصيد الحساب الجاري	٢,٤	٠,٢-	٣,٦-	٦,٧	٣,٢	
رصيد المالية العامة الكلي	١٠,٨	٧,٥	٧,٦	١٤,٣	٦,٢	
التضخم، متوسط سنوي (النمو السنوي)	البلدان المصدرة للنفط في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان^١					
	٤,٩	٣,٥	٠,٧	٤,٧	٥,٦	
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	١٦,٩	٩,٢	٤,٢	١٨,٨	١٣,٤	
رصيد الحساب الجاري	٧,٥	٣,٠	٢,٧-	١٢,٩	٧,٣	
رصيد المالية العامة الكلي	١٠,٩	٦,٨	٥,٨	١٤,٨	٦,٩	
التضخم، متوسط سنوي (النمو السنوي)	منها: دول مجلس التعاون الخليجي					
	٧,٨	٥,٠	٠,٢	٧,٢	٥,٦	
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٢١,٧	١٢,٥	٧,٦	٢٢,٥	١٥,٧	
رصيد الحساب الجاري	١٢,٦	٧,٢	٠,٨-	٢٤,٧	١١,٩	
رصيد المالية العامة الكلي	٥,٣	٣,٢	٣,٠	١١,٠	٢,٢	
التضخم، متوسط سنوي (النمو السنوي)	البلدان المستوردة للنفط في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان					
	٢,٣	٤,٧	٤,٧	٤,٨	٤,٨	
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٤,١-	٣,٣-	٤,٦-	٤,٦-	٠,٨-	
رصيد الحساب الجاري	٦,٨-	٦,٠-	٥,٢-	٥,٤-	٥,١-	
رصيد المالية العامة الكلي	١٠,٧	٨,٨	١١,١	١٣,٣	٤,٧	
التضخم، متوسط سنوي (النمو السنوي)	للتذكرة					
منطقة الشرق الأوسط وشمال إفريقيا^١						
	٤,١	٣,٨	١,٨	٥,١	٥,٤	
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	١٢,٧	٦,٥	٢,٤	١٤,٩	١٠,٤	
رصيد الحساب الجاري	٣,٣	٠,٦	٣,٤-	٨,٦	٤,١	
رصيد المالية العامة الكلي	١٠,٢	٧,٠	٦,١	١٤,٥	٦,٢	
التضخم، متوسط سنوي (النمو السنوي)	البلدان المستوردة للنفط في الشرق الأوسط وشمال إفريقيا					
	١,٩	٤,٥	٤,٨	٦,٤	٤,٧	
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٥,٢-	٣,٨-	٤,٢-	٣,١-	١,٠-	
رصيد الحساب الجاري	٧,٩-	٦,٢-	٥,٤-	٤,٥-	٦,٦-	
رصيد المالية العامة الكلي	٨,٣	٧,٦	٧,٠	١٣,٥	٤,٢	
التضخم، متوسط سنوي (النمو السنوي)						

المصادر: السلطات الوطنية، وحسابات وتوقعات خبراء صندوق النقد الدولي.

^١ بيانات ٢٠١١ لا تتضمن ليبيا.

تشمل منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان: (١) البلدان المصدرة للنفط: الجزائر والبحرين وإيران والعراق والكويت وليبيا وعمان وقطر والمملكة العربية السعودية والسودان والإمارات العربية المتحدة واليمن؛ (٢) البلدان المستوردة للنفط: أفغانستان وجيبوتي ومصر والأردن ولبنان وموريتانيا والمغرب وباكستان وسوريا وتونس.

المملكة العربية السعودية (مع توزيع الإنفاق على مدار عدة سنوات). وبينما تتوفر لدى بعض البلدان موارد كافية لتمويل هذا الإنفاق الإضافي بسهولة، فإن ذلك يمثل ضغطاً على الموارد العامة ومستويات المديونية في البلدان الأخرى. ويمكن أن تكون مساندة المجتمع الدولي عاملاً مساعداً في سد احتياجات التمويل واحتواء تراكم الديون.

وقد تسارع معدل التضخم الكلي عبر بلدان المنطقة، مدفوعاً في الأساس بارتفاع الأسعار الدولية للسلع الأولية. غير أن هناك مؤشرات تفيد بأن تضخم أسعار الغذاء والوقود بدأ ينتقل إلى معدل التضخم الأساسي. وبشكل أعم، سوف يتعين على البنوك المركزية في المنطقة أن توجه اهتماماً أكبر إلى التضخم الكلي عند تحديد أسعار الفائدة الأساسية وموقف السياسة النقدية الكلي، نظراً لأن الغذاء والوقود يمثلان نصف مؤشرات الأسعار الاستهلاكية تقريباً في البلدان التي تغطيها إدارة الشرق الأوسط وآسيا الوسطى، ولأن صدمات أسعار السلع الأولية من المرجح أن تستمر بشكل مزمن إلى حد ما. وسوف تنشأ ضغوط رافعة لأسعار الفائدة الأساسية أيضاً تحت تأثير الزيادة المسمرة في أسعار الفائدة العالمية وعلاوات المخاطر السيادية.

وبخلاف التحديات الآنية، تتيج الانتفاضات الأخيرة فرصة كبيرة لوضع ركيزة لجدول أعمال النمو القائم على الدمج الاجتماعي في الشرق الأوسط. ويتعين على كل بلد أن يحدد مساراً نابعا من الداخل لإحداث تغيير يشعر الجميع بملكته، لكن كل البلدان ينبغي أن تتجاوب مع بعض الأهداف المشتركة لتحقيق إمكانات المنطقة على المدى الأطول، وهي البيئة الاقتصادية الكلية المستقرة لكسب الثقة وجذب الاستثمارات، ووظائف القطاع الخاص الكافية لاستيعاب العاطلين الحاليين والقوى العاملة سريعة النمو، والفرص الاقتصادية المتاحة للمواطنين، والحماية الاجتماعية للفئات الضعيفة، والمؤسسات القوية والشفافة التي تضمن المساءلة والحوكمة السليمة. وليس الهدف من ذلك هو مجرد الحفاظ على النمو المرتفع، وإنما أيضاً إرساء نمو أكثر شمولاً للمواطنين يحقق مكاسب تنموية تعود بالنفع على الجميع.

وفي تاريخ إعداد هذا التقرير عن آفاق الاقتصاد الإقليمي، كانت هناك أوجه عدم يقين متعددة بشأن مستقبل منطقة الشرق الأوسط وآسيا الوسطى. ومع ذلك، فإن لدى المنطقة كثيراً من مواطن القوة التي يمكن أن تبني عليها. فهناك شباب ديناميكي يمثل قطاعاً عريضاً من السكان، وهناك موارد طبيعية ضخمة، وسوق إقليمي كبير، وموقع جغرافي متميز، وقدرة على النفاذ إلى الأسواق الرئيسية. ورغم أن الشهور القادمة ستكون مليئة بالتحديات ولا بد أن تشوبها النكسات، فإن هناك زخماً دافعاً للتغيير يمكن البناء عليه.

أضواء على أهم الأحداث

تمر منطقة الشرق الأوسط وشمال إفريقيا بفترة من التغيير غير المسبوق. ورغم ما يبدو واضحاً اليوم من أن الانتفاضات الشعبية جاءت وليدة الرغبة في مزيد من الحرية السياسية والاجتماعية والاقتصادية، فقد جاء توقيتها مفاجئاً للجميع، وحتى لصندوق النقد الدولي. وترجع هذه الأزمة إلى جذور سياسية في الأصل، لكن القضايا الاقتصادية جزء لا يتجزأ منها.

وقد كانت المنطقة تسير على مسار التعافي من الأزمة العالمية حتى أواخر عام 2010، حيث تسارع النمو ليصل إلى 3,9% في عام 2010 بعد أن بلغ 2,1% في عام 2009، ارتكازاً على أداء البلدان المصدرة للنفط في المنطقة بصفة أساسية. ومع ذلك، فلم ينجح النمو بتوازنه البطيء طوال السنوات الماضية في إنشاء الوظائف الكافية للقوى العاملة المتنامية.

ويتبين بوضوح من تطور الأحداث الأخيرة أن الإصلاحات، وحتى النمو الاقتصادي السريع الذي شهدناه من حين إلى آخر في تونس ومصر، لا يمكنها الاستمرار ما لم تود إلى إنشاء وظائف للقوى العاملة المتنامية بسرعة وتقترب سياسات اجتماعية ملائمة لفئات السكان الأضعف. وحتى يكون النمو قابلاً للاستمرار، يجب أن يكون شاملاً للجميع وأن يجني ثماره للجميع، ولا تستأثر بها قلة محظوظة. ويمثل الفساد المتوطن في المنطقة إهانة غير مقبولة لكرامة مواطنيها، ولا شك أن الافتقار إلى قواعد لعبة شفافة وعادلة سيكون مفضياً إلى تقويض النمو الشامل للجميع.

وفي نفس الوقت، لن يُكتب الاستمرار لأي جدول أعمال يقوم على الدمج الاجتماعي ما لم يصبح الاستقرار الاقتصادي الكلي والمالي سائداً. ويمكن أن يكون غياب هذا الاستقرار محكاً حاسماً حتى للبلدان ذات المؤسسات القوية، مثلما بينت الأزمة الأخيرة. وخلال فترة الاضطراب وعدم اليقين الراهنة في المنطقة، تزداد أهمية احتواء الاختلالات المتزايدة في المالية العامة، والارتفاع المستمر في المديونية وتكاليف خدمة الديون، والتضخم، وهروب رؤوس الأموال. وما لم يتم التعجيل بكبح هذه المخاطر المهددة للاستقرار الاقتصادي الكلي والمالي، فمن الممكن أن تتسبب في تقويض الثقة وتحويل أي جدول أعمال اجتماعي جديد عن مساره السليم.

ويبرز نوعان من التطورات في الاحتمالات المتوقعة، وهما عدم الاستقرار في المنطقة والارتفاع الحاد في أسعار الوقود والغذاء. ونتيجة لذلك، تسود آفاق الاقتصاد على المدى القريب أجواء عدم يقين كثيفة غير معتادة تنبع من تقلب الموقف السياسي والأمني في عدد من البلدان.

فبالنسبة لمعظم البلدان المصدرة للنفط، ستؤدي الزيادة المتوقعة في أسعار النفط - من 79 دولار للبرميل إلى 107 دولار للبرميل - وفي أحجام إنتاجه إلى معدلات نمو أعلى في عام 2011 وأرصدة مالية وخارجية أقوى، بالرغم من زيادات الإنفاق العام في الآونة الأخيرة. ومن المتوقع أن يصل متوسط نمو إجمالي الناتج المحلي الحقيقي في هذه البلدان (عدا ليبيا) إلى 4,9% في عام 2011 مقارنة بمعدل 3,5% في عام 2010، بينما يُتوقع أن يظل النمو غير النفطي عند مستوى 3,5% في عام 2011. وبالنسبة لدول مجلس التعاون الخليجي، يُتوقع أن يصل النمو إلى 7,8% في عام 2011 نظراً للتوسع في إنتاج النفط لضمان استقرار العرض العالمي في مواجهة انقطاع العرض من بلدان أخرى. ويُلاحظ أن النمو غير النفطي في دول مجلس التعاون الخليجي مهياً لزيادة سريعة تتجاوز نقطة مئوية واحدة ليصل إلى 5,3% في عام 2011. ومن المقدر أن يرتفع فائض الحسابات الجارية الخارجية المجمعة من 172 مليار دولار إلى 378 مليار دولار للبلدان المصدرة للنفط (عدا ليبيا)، ومن 136 مليار دولار إلى 304 مليار دولار في دول مجلس التعاون الخليجي.

وتتباين آفاق الاقتصاد بين البلدان المستوردة للنفط. فبالنسبة لمصر وتونس، نتوقع انخفاض النمو هذا العام بما يتراوح بين 2,5 و 4 نقاط مئوية عما كان عليه في عام 2010، انعكاساً لفترات توقف النشاط الاقتصادي أثناء الاحتجاجات، وتراجع النشاط السياحي، وانخفاض الاستثمارات. ويفرض عدم اليقين السياسي عبئاً على الاقتصاد في لبنان، بينما يظل النمو مكبوحاً في باكستان نتيجة لتداعيات السيول التي اجتاحت البلاد في العام الماضي. غير أن النمو واصل الانتعاش في معظم البلدان الأخرى، حيث استفادت الأردن وموريتانيا والمغرب من ارتفاع أسعار الفوسفات والحديد الخام.

وتعمل الحكومات في جميع أنحاء المنطقة على مواجهة التطورات السياسية - وارتفاع أسعار السلع الأولية - بالتوسع في دعم أسعار الوقود والغذاء، وزيادة الأجور ومعاشات التقاعد في جهاز الخدمة المدنية، وإجراء تحويلات نقدية إضافية، وتخفيضات ضريبية، وزيادات أخرى في الإنفاق. ويتراوح حجم التدابير المالية القومية في عام 2011 بين أقل من 0,5% من إجمالي الناتج المحلي في بعض بلدان الشرق الأوسط وآسيا الوسطى المستوردة للنفط إلى حوالي 22% من إجمالي الناتج المحلي في

Principaux points

La région du Moyen-Orient et de l'Afrique du Nord (MOAN) traverse une période de transformation sans précédent. Bien qu'il soit clair aujourd'hui que les soulèvements populaires sont nés de l'aspiration à plus de liberté politique, sociale et économique, tout le monde, y compris le FMI, a été pris par surprise. Les raisons profondes de ces soulèvements sont politiques, mais elles sont inextricablement liées à des causes économiques.

Jusqu'aux derniers mois de 2010, la région était en bonne voie pour se relever de la crise mondiale. La croissance, principalement tirée par les pays exportateurs de pétrole de la région, est passé d'un taux de 2,1 pour cent en 2009 à 3,9 pour cent en 2010. Néanmoins, la croissance tendancielle lente des années précédentes n'a pas créé suffisamment d'emplois pour la population active grandissante.

Les événements actuels montrent clairement que les réformes, voire les périodes de croissance rapide observées en Tunisie et en Égypte, ne peuvent être durables à moins qu'elles ne créent des emplois pour une population active qui augmente à vive allure et ne s'accompagnent de mesures sociales pour les couches les plus vulnérables. Pour que la croissance soit durable, il faut qu'elle soit inclusive et largement partagée, et non accaparée par quelques privilégiés. La corruption endémique dans la région constitue un affront inacceptable à la dignité de ses citoyens, et l'absence de règles du jeu transparentes et équitables mine inévitablement la croissance inclusive.

Cependant, un programme social et inclusif ne peut survivre sans que la stabilité macroéconomique et financière ne soit au rendez-vous. Si elle fait défaut, même les pays dotés de solides institutions peuvent être mis à rude épreuve, comme l'a montré la récente crise mondiale. En ces temps de turbulences et d'incertitudes dans la région, il n'est que plus crucial de contenir la vague montante des déséquilibres budgétaires, de la dette et du service y afférent, de l'inflation et de la fuite de capitaux. Ces menaces qui pèsent sur la stabilité macroéconomique et financière pourraient — si elles ne sont pas stoppées rapidement — saper la confiance et faire dérailler les nouvelles réformes sociales.

Les perspectives sont marquées par deux courants d'évolution : l'agitation qui règne dans la région et l'envolée des cours mondiaux des produits pétroliers et des denrées alimentaires. La conjoncture économique à court terme est donc inhabituellement incertaine à cause de la situation politique et sécuritaire très fluide présente dans un certain nombre de pays.

Pour la plupart des pays exportateurs de pétrole, la hausse prévisible des cours pétroliers — de 79 à 107 dollars EU le baril — et des volumes de production se traduira par une accélération de la croissance en 2011 et une amélioration des soldes budgétaires et extérieurs, en dépit de l'augmentation récente des dépenses publiques. Les projections tablent sur un taux de progression moyen du PIB réel (Libye non comprise) à 4,9 pour cent en 2011, contre 3,5 pour cent en 2010, le taux de croissance hors pétrole restant à 3,5 pour cent en 2011. Pour le Conseil de Coopération du Golfe (CCG), la prévision de croissance est de 7,8 pour cent en 2011, du fait que la production de pétrole va être accrue pour stabiliser l'offre perturbée ailleurs par des ruptures d'approvisionnement. Le taux de croissance hors pétrole du CCG gagnerait 1 pour cent, passant à 5,3 pour cent en 2011. D'après les estimations, l'excédent global des comptes extérieurs courants des pays exportateurs de pétrole passerait de 172 à 378 milliards de dollars EU (Libye non comprise) et celui du CCG de 136 à 304 milliards de dollars EU.

L'évolution économique des pays importateurs de pétrole s'annonce plus nuancée. Pour l'Égypte et la Tunisie, nos projections donnent la croissance en recul de 2½ à 4 points de pourcentage par rapport à 2010, en raison des perturbations de l'activité économique pendant les protestations, de la diminution du tourisme et de

la baisse des investissements. L'incertitude politique pèse aussi sur l'économie du Liban et la croissance du Pakistan qui est encore freinée par les effets des inondations de l'an dernier. Dans la plupart des autres pays, toutefois, la croissance continue à progresser, la hausse des cours des phosphates et du minerai de fer jouant au profit de la Jordanie, du Maroc et de la Mauritanie.

Face aux événements politiques — ainsi qu'à la hausse des cours des matières de base — les autorités gouvernementales de l'ensemble de la région ont réagi en accroissant les subventions des produits pétroliers et alimentaires, en relevant les salaires et les retraites des fonctionnaires, en augmentant les transferts en espèces, en réduisant les impôts et en accroissant les dépenses publiques dans d'autres domaines. Les plans nationaux de relance budgétaire pour 2011 se situent entre moins de 0,5 pour cent du PIB dans certains pays importateurs de pétrole du Moyen-Orient et d'Afrique du Nord à 22 pour cent du PIB environ en Arabie Saoudite (les dépenses s'étalant sur plusieurs années). Alors que certains pays peuvent facilement se permettre ce surcroît de dépenses, d'autres en ressentiront le poids sur la dette et les finances publiques : le soutien de la communauté internationale aiderait à combler les besoins de financement et à contenir la hausse de l'endettement.

L'inflation globale s'est accélérée dans l'ensemble de la région, principalement sous l'effet de la hausse des cours internationaux des matières de base. Il semble toutefois que la hausse des prix des denrées alimentaires et des produits pétroliers déteigne sur l'inflation de base. Plus généralement, étant donné que les denrées alimentaires et produits pétroliers pèsent pour près de la moitié dans les indices des prix à la consommation des pays du Moyen-Orient et d'Asie centrale, et que le renchérissement des produits de base risque d'être assez persistant, les banques centrales de la région vont devoir prêter davantage d'attention à l'inflation globale lors de la fixation de leurs taux directeurs et de l'orientation générale de la politique monétaire. Les taux directeurs seront aussi poussés à la hausse par le contexte d'augmentation des taux d'intérêt mondiaux et des primes de risque sur les emprunts souverains.

Au-delà des enjeux immédiats, les récents soulèvements offrent une belle occasion de jeter les bases d'un programme de croissance inclusive et respectueux de la solidarité sociale au Moyen-Orient. Chaque pays devra définir sa propre feuille de route en vue d'une transformation largement consensuelle, mais ils devront tous tendre vers des objectifs communs pour réaliser le potentiel à long terme de la région : un climat de stabilité macroéconomique pour inspirer la confiance et attirer les investissements; la création de suffisamment d'emplois dans le secteur privé pour résorber le chômage et absorber la population active en rapide essor; des débouchés économiques pour que l'ensemble des citoyens puissent réaliser leur potentiel; la protection sociale des plus vulnérables; et des institutions solides et transparentes tenues de rendre compte de leurs actions et de garantir une bonne gouvernance. Le but n'est pas seulement une croissance plus vigoureuse, mais aussi une croissance plus inclusive et des gains en matière de développement qui soient largement partagés.

Au moment de la préparation de cette édition du Rapport sur les perspectives économiques régionales, de nombreuses incertitudes pesaient sur l'évolution future de la région MOAN. Elle a cependant de nombreux points forts sur lesquels construire son avenir : une population jeune et dynamique, d'abondantes ressources naturelles, un vaste marché régional, une situation géographique avantageuse et des débouchés sur les principaux marchés mondiaux. Alors que les mois à venir seront difficiles et inévitablement marqués par des revers, il y a une dynamique de changement prometteuse à développer.

Région MOANAP : Principaux indicateurs économiques, 2000–11

(En pourcentage du PIB, sauf indication contraire)

	Moyenne				Proj.
	2000–07	2008	2009	2010	2011
MOANAP¹					
PIB réel (croissance annuelle)	5.4	4.7	2.1	3.9	3.9
Solde des transactions courantes	9.5	13.3	1.7	5.9	11.7
Solde budgétaire global	3.2	6.7	-3.6	-0.2	2.4
Inflation (croissance annuelle)	6.2	14.3	7.6	7.5	10.8
Pays exportateurs de pétrole de la région MOANAP¹					
PIB réel (croissance annuelle)	5.6	4.7	0.7	3.5	4.9
Solde des transactions courantes	13.4	18.8	4.2	9.2	16.9
Solde budgétaire global	7.3	12.9	-2.7	3.0	7.5
Inflation (croissance annuelle)	6.9	14.8	5.8	6.8	10.9
Dont : Conseil de Coopération du Golfe					
PIB réel (croissance annuelle)	5.6	7.2	0.2	5.0	7.8
Solde des transactions courantes	15.7	22.5	7.6	12.5	21.7
Solde budgétaire global	11.9	24.7	-0.8	7.2	12.6
Inflation (croissance annuelle)	2.2	11.0	3.0	3.2	5.3
Pays importateurs de pétrole de la région MOANAP					
PIB réel (croissance annuelle)	4.8	4.8	4.7	4.7	2.3
Solde des transactions courantes	-0.8	-4.6	-4.6	-3.3	-4.1
Solde budgétaire global	-5.1	-5.4	-5.2	-6.0	-6.8
Inflation (croissance annuelle)	4.7	13.3	11.1	8.8	10.7
<i>Pour mémoire</i>					
MOAN¹					
PIB réel (croissance annuelle)	5.4	5.1	1.8	3.8	4.1
Solde des transactions courantes	10.4	14.9	2.4	6.5	12.7
Solde budgétaire global	4.1	8.6	-3.4	0.6	3.3
Inflation (croissance annuelle)	6.2	14.5	6.1	7.0	10.2
Pays importateurs de pétrole de la région MOAN					
PIB réel (croissance annuelle)	4.7	6.4	4.8	4.5	1.9
Solde des transactions courantes	-1.0	-3.1	-4.2	-3.8	-5.2
Solde budgétaire global	-6.6	-4.5	-5.4	-6.2	-7.9
Inflation (croissance annuelle)	4.2	13.5	7.0	7.6	8.3

Sources: autorités nationales; et calculs et projections des services du FMI.

¹Les données de 2011 excluent la Libye.

MOANAP: (1) Exportateurs de pétrole: Algérie, Arabie Saoudite, Bahreïn, Émirats arabes unis, Iran, Iraq, Koweït, Libye, Oman, Qatar, Soudan et Yémen; (2) Importateurs de pétrole: Afghanistan, Djibouti, Égypte, Jordanie, Liban, Maroc, Mauritanie, Pakistan, Syrie et Tunisie.

MOAN: MOANAP à l'exclusion de l'Afghanistan et du Pakistan.

1. MENAP Oil Exporters: Opportunity to Pursue Fundamental Reforms

Sharp increases in oil prices, particularly after the beginning of the recent events in the region, have benefited the MENAP oil exporters' fiscal and current account surpluses. Part of the increased oil revenues has been used to respond to social tensions. In managing the short-term uncertainties, oil exporters should not lose sight of their longer-term challenges: achieving strong and sustainable inclusive growth to provide employment for the rapidly growing labor force, especially for the youth; better fiscal management; and further development of the financial system.

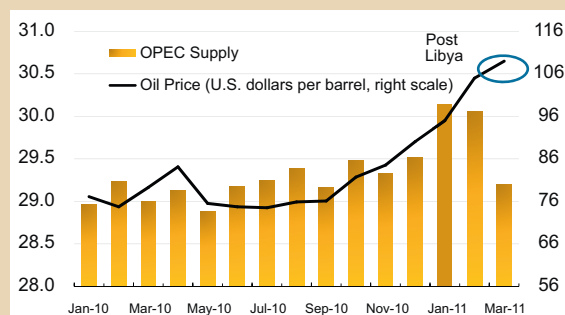
Increased Uncertainty, But Financial Windfalls

The ripple effects of the political events in Tunisia and Egypt have spread in varying degrees to the oil exporters in the region, and many of these countries are responding with public spending and job-creation measures to alleviate social tensions. The social unrest also highlights the need to pursue fundamental economic reforms—social policy, fiscal management, governance, business environment, labor markets, financial sector access—to facilitate more inclusive economic growth. The unrest has increased the assessment of risk in the region, but the consequential hike in oil prices has brought in windfall financial benefits. Average spot oil prices, which had steadily increased by 25 percent to US\$95 per barrel between August 2010 and January 2011, underpinned by fundamentals, shot up amid greater volatility to over US\$110 per barrel during March (Figure 1.1). Prices increased further in early April, as social and political unrest intensified in Libya, also placing increased emphasis on the role of other oil producers in stabilizing oil supplies (Box 1.1).¹

Growth is likely to be uneven in 2011, but the GCC as a group is racing ahead. Average economic growth is expected to increase to 4.9 percent in 2011 for the MENAP oil exporters (excluding

Figure 1.1

Crude Oil Prices Rise Sharply (Millions of barrels per day)



Sources: International Energy Agency; and IMF staff estimates.

Libya) (Figure 1.2). Bahrain, Iran, Libya, Sudan, and Yemen are likely to be negatively affected, but the rest are expected to grow well above trend.² In particular, the GCC is expected to show particularly strong growth of 7.8 percent in 2011, driven mainly by the oil sector as countries expand production, but also supported by high levels of public spending. The strongest performer is expected to be Qatar at 20 percent, underpinned by continued gas expansion and large public investments, followed by Saudi Arabia at 7.5 percent, where much of the increase is from enhanced oil production.³ Among the non-GCC countries, growth is expected to decline sharply in Libya, where the conflict has severely disrupted the

Prepared by Ananthkrishnan Prasad and David Robinson with input from country teams.

¹ The earthquake in Japan in early March and subsequent concerns about the safety of nuclear energy plants add more uncertainty to the path for oil.

² The projections for the MENAP oil exporters for 2011 exclude Libya for all economic variables.

³ If Saudi Arabia's oil production were to remain unchanged at the level of January 2011, its forecasted growth rate would decline to 4.7 percent.

Box 1.1

Stabilizing Global Oil Markets

The GCC has 41 percent of the world's proven crude oil reserves, of which Saudi Arabia alone accounts for 21 percent. The GCC countries, particularly Saudi Arabia, have undertaken substantial investments to increase crude oil capacity—including in 2008 when oil prices fell sharply—providing a supply-side buffer to help smooth shocks in global oil markets. Indeed, OPEC and Saudi Arabia have stated that oil production will be expanded to meet any global shortfalls from supply disruptions. Several MENAP oil exporters (Algeria, Iraq, Kuwait, Saudi Arabia, the United Arab Emirates) have already responded to the global shortfall in oil supply following the unrest in Libya.

OPEC Crude Production*(Millions of barrels per day)*

	Nov. 2010	Dec. 2010	Change in Production (Dec. 2010–Feb. 2011)	Sustainable Capacity ¹	Spare Capacity vs. Feb. 2011
Algeria	1.27	1.27	0.01	1.31	0.03
Angola	1.66	1.62	-0.02	1.84	0.24
Ecuador	0.47	0.48	0.01	0.50	0.01
Iran	3.68	3.68	0.00	3.70	0.02
Iraq	2.42	2.45	0.23	2.75	0.07
Kuwait	2.29	2.30	0.08	2.55	0.17
Libya	1.56	1.56	-0.17	1.80	0.41
Nigeria	2.18	2.26	-0.10	2.50	0.34
Qatar	0.82	0.82	0.00	1.00	0.18
Saudi Arabia	8.50	8.50	0.40	12.10	3.20
United Arab Emirates	2.29	2.38	0.10	2.70	0.22
Venezuela	2.19	2.20	0.00	2.35	0.15
<i>Memorandum Items</i>					
Total OPEC²	29.33	29.52	0.54	35.10	5.04
Non-OPEC Supply³		53.00	0.11		
Global Oil Supply⁴		88.10	88.97		
Global Oil Demand⁵		87.90	89.40		

Source: International Energy Agency.

¹Capacity levels can be reached within 30 days and sustained for 90 days.²Crude oil.³Includes crude oil, condensates, natural gas liquids, and oil from nonconventional sources.⁴Data relate to December 2010 and February 2011.⁵Average oil demand for the years 2010 and 2011.

hydrocarbon sector (accounting for over 70 percent of GDP and 90 percent or more of Libyan exports and government revenue).

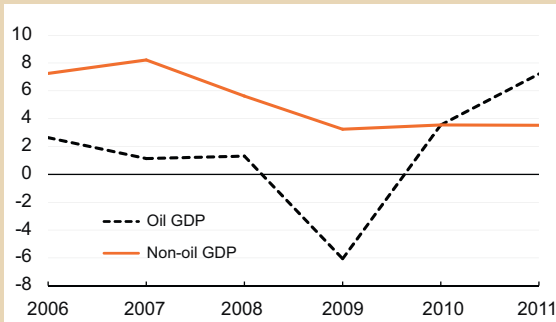
Non-oil growth is expected to remain robust across countries (except in Iran), mainly as a result of additional fiscal spending (Figure 1.3). Growth in Iran is likely to remain below trend in 2011 as the economy responds to the implementation of energy subsidy reform that began in December 2010 and which is expected to have positive

long-term benefits (Box 3.2.3). In Sudan, the six-month transition period prior to the July 2011 independence of South Sudan could result in lower growth rates in 2011 (Box 1.2). The performance of the GCC countries will remain strong in 2011, with the exception of Bahrain, where uncertainties prevail. Robust non-oil growth in the region partly reflects implementation of plans to promote economic diversification—by amending foreign direct investment (FDI) laws, initiating public–private partnerships, and encouraging joint

Figure 1.2

Growth Is Progressing in MENAP Oil Exporters¹

(Real GDP growth; percent)



Sources: National authorities; and IMF staff estimates.
¹2011 data exclude Libya.

ventures. These measures aim to broaden the tax base and generate employment; joblessness remains high, particularly among the youth in many of these countries (Box 1.3).

Financial markets have taken a hit. Equity markets across MENAP oil exporters have fallen since January 11 (Figure 1.4), and some markets (Bahrain, Dubai) are now around the troughs in the aftermath of the 2008 global crisis. Sovereign credit default swap spreads have widened in all GCC countries after the current crisis (Figure 1.5), but are narrower than the post-global crisis levels. Rating agencies have downgraded Bahrain and Libya since the beginning of the unrest.

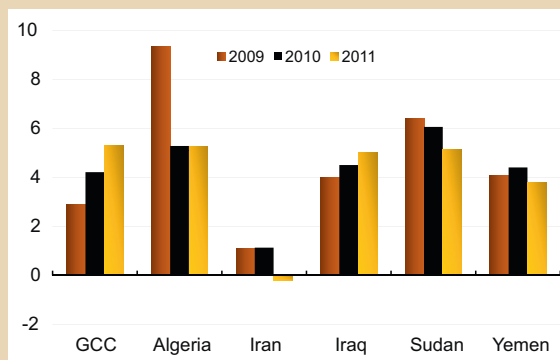
Fiscal and external balances are improving amid oil price uncertainty. Strong growth in oil revenue will generate substantial fiscal and current account surpluses in 2011. The current account surplus of the oil exporters (excluding Libya) in 2011 is projected at about US\$378 billion, with the GCC countries accounting for about US\$304 billion (Figure 1.6).⁴ Nevertheless, considerable uncertainty surrounds these projections. For the oil exporters as a group, revenue uncertainty—as measured by the difference in current account surpluses calculated at the low point of oil futures prices (US\$88 per barrel) and the high point (US\$114 per barrel)

⁴ This is based on an oil price assumption of US\$107.16 per barrel for 2011.

Figure 1.3

Non-Oil Sector Activity Remains Robust

(Real non-oil GDP growth; percent)



Sources: National authorities; and IMF staff estimates.

during the first quarter of 2011—is immense (Figure 1.7).

The fiscal surplus is estimated to be about 7.5 percent of GDP in 2011, compared to 3.0 percent in 2010, despite higher discretionary spending measures announced by many of the oil exporters (Algeria, Bahrain, Kuwait, Oman, Saudi Arabia, Yemen) (Figure 1.8). However, this overall trend masks the actual fiscal stance of many countries, as measured by the non-oil fiscal and primary balances. The general government non-oil fiscal balance to non-oil GDP ratio is expected to deteriorate in Iraq, Kuwait, Oman, Saudi Arabia, Sudan, and Yemen (Figure 1.9).

Despite the Windfalls, Near-Term Policy Challenges Remain

Risks to the outlook are on the downside and could intensify, particularly if the unrest becomes more widespread. The evolving security situation in Libya has already had spillover effects on the region through reduced remittances to Egypt and Tunisia, adding to the challenges facing these countries.⁵ Protracted unrest could adversely affect investor sentiment, weigh on private-sector activity

⁵ In 2010, Libya hosted about 1.5 million migrant workers, mainly from Egypt and Tunisia.

Box 1.2

Sudan: Economic Challenges for North and South Sudan

The planned independence of South Sudan in July 2011 will have important macroeconomic implications. For the North, the loss of southern oil production will result in domestic and external imbalances. Preserving macroeconomic stability in the face of this permanent shock could be challenging, particularly at a time when the country has limited access to external financing. For the South, the main challenges will be to build strong institutions with good governance, clear accountability, and transparency to ensure that the oil windfall is channeled toward promoting sustainable growth and reducing widespread poverty.

Impact on North Sudan

Independence will have an immediate impact on North Sudan's fiscal and external revenues. Oil revenues, which constitute more than half of government revenues, could drop by about 75 percent (6 percent of GDP). About half of this revenue loss would be offset by the reduction in transfers to the South; hence the overall fiscal deficit could widen by about 3 percentage points of GDP. The current account balance would deteriorate by about 4 percentage points of GDP over the next 2 years, reflecting both a decline in oil exports—which constitute about 90 percent of exports—and an increase in petroleum product imports. Capital inflows, including FDI, could decline in the short term, contributing to the emergence of a financing gap that could reach 3–4 percent of GDP in 2012.

Challenges for South Sudan

An independent South Sudan will face several challenges, namely a total dependence on oil revenue (currently about 98 percent of government revenue), weak government institutions, the lack of infrastructure, and a dearth of trained civil servants. These challenges are compounded by the fact that about half of the South's population lives below the national poverty line. Moreover, South Sudan lags far behind in most Millennium Development Goals relative to the North and other sub-Saharan African countries. To address these challenges, South Sudan will need to rely on substantial assistance from the international community in the years to come.

Status of Millennium Development Goals (MDGs) in Sudan in 2010

Indicators	North Sudan	2015 Target	South Sudan	2015 Target
MDG 1 Eradicate Extreme Poverty and Hunger				
Estimated poverty incidence (percent of total population)	47	23	51	45
Prevalence of child malnutrition (underweight for age; percentage under 5)	32	16	48	24
Proportion of population below minimum level of dietary energy consumption	28	14	47	11
MDG 2 Achieve Universal Primary Education				
Gross primary enrolment ratio	71	100	48	100
Adult literacy rate	78	100	36	-
MDG 3 Promote Gender Equality and Empower Women				
Ratio of girls to boys in primary education	54	100	1	100
Percentage of women in National Assembly/Council of States	25	-	32	-
MDG 4 Reduce Child Mortality				
Under-5 mortality rate (per 1,000)	102	41	381	83
Infant mortality rate (per 1,000 live births)	71	53	131	-
One-year-olds immunized against measles	85	100	20	-
MDG 5 Improve Maternal Health				
Maternal mortality ratio (per 100,000 live births)	638	134	1,989	1,680
Birth attended by skilled health staff	57	90	10	-
Antenatal care coverage (at least one visit and at least four visits)	70	-	16	-
MDG 7 Integrate the Principles of Sustainable Development into Country Policies and Programmes; Reverse Loss of Environmental Resources				
Access to improved drinking water source (percent of population)	59	82	48	75
Access to improved sanitation (percent of population)	40	67	6	53

Source: United Nations Development Programme, Sudan.

Prepared by Jemma Dridi.

Box 1.3

Employment Creation in Oil Exporters

During the past decade, the MENAP oil exporters have created many jobs. In the GCC, job creation was mainly in the private sector and mostly for expatriates. Skill mismatches and sizable wage differentials between nationals and expatriate workers largely explain the low employment level of nationals in the private sector.

Providing employment for a growing population is the main medium-term challenge. Unemployment among nationals in some GCC countries (Oman, Saudi Arabia) and non-GCC countries (Algeria, Iraq) is relatively high, particularly among the youth.

Fostering an environment that encourages private-sector development is key to improving employment prospects. Diversifying the economy with a view to providing employment will hinge on the effectiveness of reforms in education, stepped-up training, and enhanced productivity. Merely raising minimum wages in the private sector, as was recently done in Oman, without accompanying measures, is unlikely to solve the problem of unemployment of the local population. Countries should continue to build on their reform agendas, raising the quality of human capital and improving the business environment.

MENA Employment Creation¹

(Millions)

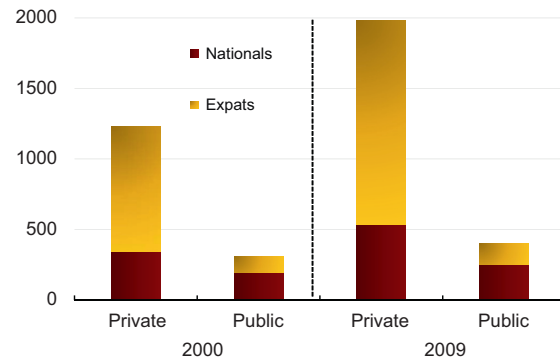
	2000	2009	Annual percent change
Algeria	6.2	10.2	7.1
Bahrain	0.2	0.4	16.1
Iran	15.6	18.0	1.7
Kuwait	1.2	2.1	8.2
Libya	1.4	1.6	1.2
Oman	0.7	1.1	8.0
Saudi Arabia	6.0	8.1	4.0
Sudan	8.7	12.0	4.2
United Arab Emirates	1.7	3.5	11.5

Source: IMF, *World Economic Outlook*.

¹Total employment.

GCC: Private and Public Sector Employment

(Average; thousands of workers)



Source: National authorities.

Prepared by Joshua Charap, Ananthakrishnan Prasad, and Renas Sidahmed.

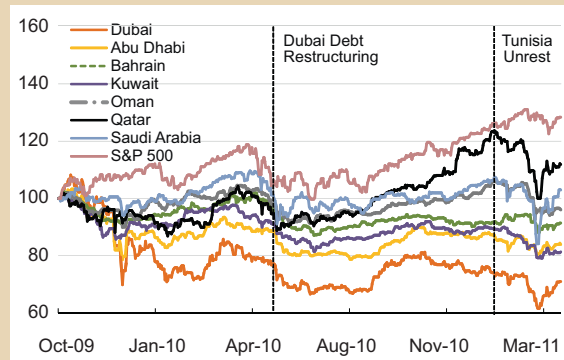
(Bahrain, Libya, Oman, Yemen), and affect the cost and availability of financing for the region as a whole. FDI and the nascent tourism sector will be adversely affected (Bahrain, Libya, Oman, Yemen), potentially setting back recent progress toward much-needed job creation and economic diversification. Furthermore, equity price declines, if they persist, could dampen recovery in real estate markets and adversely affect financial sector balance sheets (GCC countries). Nevertheless, there are positive spillovers from the GCC countries to the rest of the world (Box 1.4).

Short-term fiscal expansions have been financed by higher oil revenues but may have permanently raised spending. Many MENAP oil exporters have ample fiscal space and have increased public spending in response to domestic unrest and increased uncertainty, and to cushion the impact of rising food and fuel prices (Figure 1.9). In Bahrain and Oman, the newly created Gulf Development Fund is expected to provide an additional US\$10 billion to each country (40 percent of 2010 GDP in the case of Bahrain) to finance housing and infrastructure costs, effectively expanding fiscal

Figure 1.4

Stock Markets Have Fallen

(Index; Oct 1, 2009 = 100; Aug 31, 2008–Mar 28, 2011)

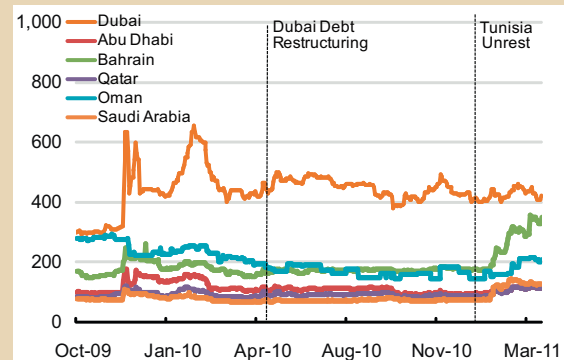


Source: Bloomberg.

Figure 1.5

CDS Spreads Have Widened

(Basis points; Oct 1, 2009–Mar 28, 2011)

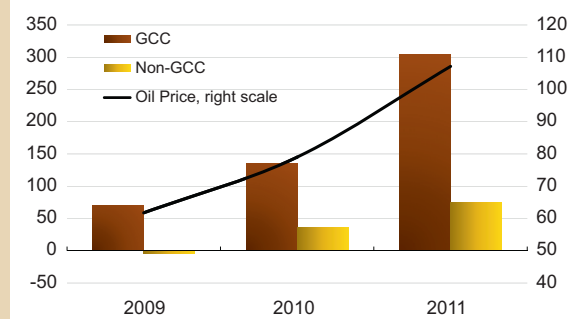


Source: Markit.

Figure 1.6

Current Accounts Improve Across the Board

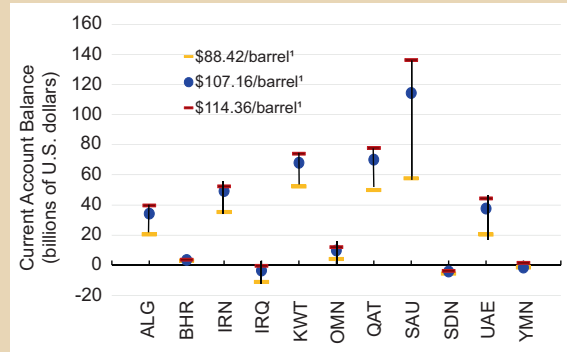
(Billions of U.S. dollars)



Sources: National authorities; and IMF staff estimates.

Figure 1.7

Current Accounts Under Alternative Price Scenarios



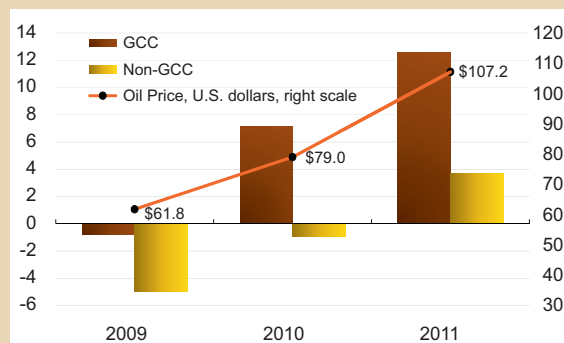
Source: National authorities.

¹Minimum and maximum oil prices between Jan. 1, 2011 and Mar. 22, 2011.

Figure 1.8

Fiscal Balances Improve

(Percent of GDP)

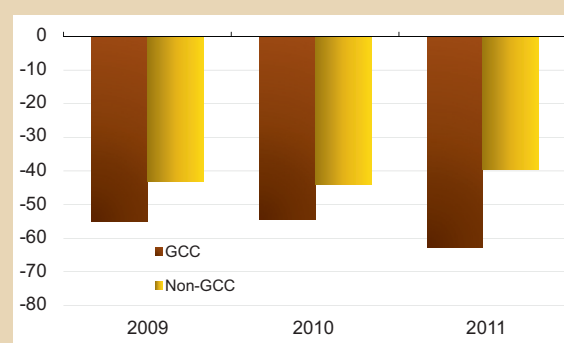


Sources: National authorities; and IMF staff estimates.

Figure 1.9

Non-Oil Fiscal Balances Expansionary

(Percent of non-oil GDP)



Sources: National authorities; and IMF staff estimates.

Box 1.4

Spillovers from the GCC

The GCC has historically had important economic spillovers to the rest of the world. High levels of remittances and outward FDI from the GCC mitigated the impact of the global crisis on many countries in the region in 2008 and 2009. In addition, GCC imports, although not as significant, continue to support the region's exports.

GCC: Outward Spillovers to Rest of the World*(Billions of U.S. dollars)*

	2008	2009	2010	2011 ¹
Outward remittances	52.9	60.4	65.6	74.9
Outward FDI	38.6	16.0	20.9	42.7
Imports	515.1	444.3	491.0	578.3
Nonbank deposits	113.6	112.9	134.1 ²	

Sources: Bank for International Settlements; national authorities; World Bank; and IMF staff estimates.

¹IMF staff projections.²Q3 2010.

Aid flows—mainly from Kuwait, Saudi Arabia, and the United Arab Emirates—have averaged about 1.5 percent of their combined gross national income between 1973 and 2008. Countries in the MENAP region have received between 10 percent and 70 percent of their total official development assistance from other countries in the region.

Growth linkages between the GCC and the other countries in the region are also significant. Estimates indicate that an increase of 1 percentage point in the GCC's real GDP growth will increase GDP growth in migrant workers' countries of origin by $\frac{1}{3}$ percentage point. High oil prices have provided an additional incentive to these countries to continue with their ongoing investment programs and to recycle their oil revenues abroad.

The outlook for remittances is clouded by new initiatives under consideration in some countries, such as Saudi Arabia, to provide greater incentives for the hiring of nationals in an attempt to reduce national unemployment.

Prepared by Ananthakrishnan Prasad.

space. Countries with little fiscal space, such as Iran, Sudan, and Yemen, had initiated measures—to enhance non-oil revenues and to contain spending and improve its quality—to narrow their fiscal deficits in 2010–11. Newly announced measures attempt to dampen pressures from higher food prices, provide support to the unemployed, and alleviate housing constraints (Table 1.1). The cost of these measures ranges between 0.3 percent of GDP (for Algeria) and about 22 percent of GDP (for Saudi Arabia, spread over a number of years). Many of these measures are permanent, and scaling them back may be difficult, which might add to fiscal pressures in the future, particularly if the

increase in oil prices is transitory. Iran (substantial subsidy reforms) and Qatar (increase in domestic petrol prices) are exceptions in that they are seeking to reduce distortions associated with large subsidies on domestic fuel prices.

Inflation pressures are rising together with concerns about food security. Inflation is expected to increase in almost all countries in 2011, to an average of 11 percent for the oil exporters as a group. The biggest increase is expected in Iran, due to the subsidy reform (Figure 1.10), but the GCC will also see a pickup in inflation in 2011 to 5.3 percent from 3.2 percent in 2010 (Figure 1.11). The key driver of

Table 1.1

Summary of Recent Fiscal Policy Measures

	Description of Measure	Date Announced	Estimated Fiscal Cost (Percent of GDP)	Nature of Measure
GCC				
Bahrain	• Provide cash transfers of US\$2,660 each to families	February 13, 2011	1.5	Temporary
Kuwait	• Provide free staple food to citizens for the next 14 months together with cash transfers	January 17, 2011	Above 2.5 (magnitude of food subsidy cannot be quantified at this time)	Temporary
Oman	• Employment for 50,000 Omanis; establishment of monthly unemployment benefit of US\$390	February 27, 2011	1.25	Permanent
Saudi Arabia	• Construct 500,000 housing units, build and expand hospitals	March 18, 2011	15	Temporary
	• Pay a two-month salary bonus to state employees	March 18, 2011		Temporary
	• Increase the public-sector minimum wage by 19 percent	March 18, 2011		Permanent
	• Inject capital into specialized credit institutions to facilitate debt write-offs and increase mortgage lending, provide affordable housing, and extend social insurance and unemployment benefits	February 23, 2011		Temporary
	• Extend indefinitely the 15 percent inflation allowance for state employees that had been phased in over the past 3 years	November 2010	1.7	Permanent
United Arab Emirates	• Infrastructure stimulus program focusing on the northern emirates	February 1, 2011	0.5	Temporary
	• 70 percent increase in pensions for military personnel	February 1, 2011		Permanent
	• State subsidies for rice and bread	February 1, 2011		
Other Oil Exporters				
Algeria	• Temporary exemption in the tax burden on sugar and edible oil	January 13, 2011	0.3	Temporary
Yemen	• Increase in public wages	January 23, 2011	1.4	Permanent
	• Expand coverage of the social welfare fund by 500,000 additional families	January 23, 2011	0.2	
	• Pay interim monthly stipend to new school graduates	February 12, 2011	0.2	Temporary
	• Exempt students from paying tuition fees	February 12, 2011	0.2	
	• Reintroduce bonuses and allowances to civil servants	February 12, 2011	1.0	Permanent
	• Hire 60,000 new graduates	February 12, 2011	0.2	Permanent
	• Other	February 13, 2011	0.3	

Source: IMF staff estimates.

headline inflation is food prices, but core inflation is increasing in many countries, reflecting a rise in inflationary expectations.

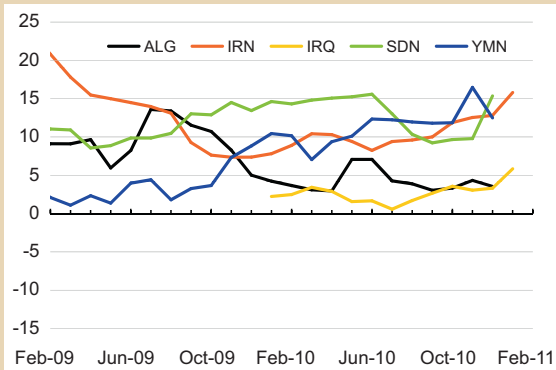
Key grain prices, including those of corn and wheat, have risen sharply, heightening food security concerns, given that many MENAP oil exporters are among the largest importers of wheat in the world—Algeria and Iraq, respectively, rank third and ninth. World wheat prices rose by over 75 percent in the 12-month period ending on March 31, 2011. Larger harvests resulting from an increase in global acreage and less severe weather conditions should ease some market tightness over the next 12 months. Structural factors (changing diet patterns in emerging and developing economies, and the boom in biofuels that has buoyed the demand for feedstock crops) have also contributed to rising demand for food.

Oil exporters should monitor the second-round effects whereby food inflation translates rapidly into nonfood inflation. Some governments, particularly in the GCC (Kuwait, Qatar, Saudi Arabia, the United Arab Emirates), will need to carefully monitor the impact of expansionary fiscal spending on aggregate demand to prevent a resurgence of inflationary pressures. So far, only Sudan has tightened monetary policy in response to emerging inflationary pressures.

Medium Term: Outlook Good, But Deep Structural Reforms Needed

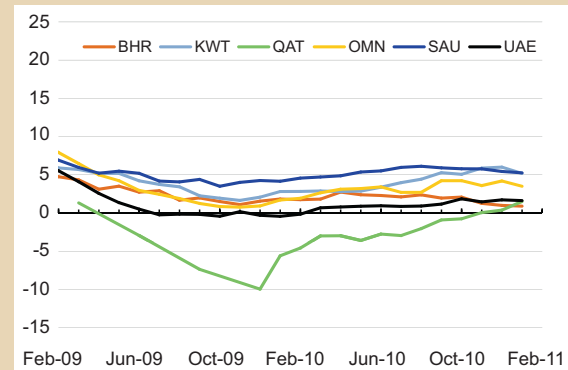
Growth is expected to remain robust, with inflation declining as the food and oil price shocks abate. Importantly, non-oil growth is expected to pick up,

Figure 1.10

Non-GCC Headline Inflation*(Consumer price index, year-on-year growth)*

Source: National authorities.

Figure 1.11

GCC Headline Inflation*(Consumer price index, year-on-year growth)*

Source: National authorities.

which would typically be associated with increased employment opportunities. Nevertheless, lessons can be drawn from recent developments.

Inclusive growth. To be sustainable, growth strategies need to result in job creation and rising incomes for all segments of the population, and address unemployment and housing problems, especially for the youth. In this context, efforts to foster private-sector development should be sustained. Credit plays a vital role in private sector-led growth that should create employment. Ensuring sustainable credit growth with improved access, particularly to small- and medium-sized enterprises, is, therefore, a priority. The success of efforts to diversify the economy will also hinge on the effectiveness of reforms in education, stepped-up training for nationals, and enhanced productivity; competitiveness will be essential to sustaining inclusive growth.

Better fiscal management. Public spending has increased dramatically in recent years in many countries, often allocated toward growth-enhancing physical and social infrastructure. The quality of spending needs greater attention, including the continued strengthening of public financial management. One step would be for additional countries in the region to move away from reliance on untargeted subsidies to more efficient social safety nets. In particular, reforming universal fuel price subsidies

would help contain rapidly rising domestic energy consumption.

Heightened oil-price volatility has also reinforced the need to cast spending within a multi-year framework to ensure sustainability and improve demand management tools. One option for managing such volatility is to adopt a formal fiscal rule, perhaps involving a country-specific aggregate expenditure cast in a three-year rolling budget combined with a debt ceiling. In practice, most GCC countries simply base their budget on a conservative oil price, with no explicit guidance as to how or whether additional revenues will be spent. In addition to diminishing the relevance of the budget as a planning document and as an indicator of government priorities, reliance on within-year discretionary adjustments risks generating permanent entitlements that may be difficult to scale back in the event of lower oil prices. It may also magnify boom-bust cycles.

Financial sector stability and development. Over the medium term, the MENAP oil exporters should continue their efforts to promote the development of the financial system, to improve its efficiency and further increase its resilience. The banking sector remains broadly sound in the GCC countries because banks have high capital buffers, in some cases helped by large government capitalization (Qatar, the United Arab Emirates). Nevertheless,

potential vulnerabilities could emerge through spillovers from the nonbank financial sector to the banking sector (Kuwait), the overhang of the real estate sector (Bahrain, the United Arab Emirates), and the interconnectedness between the different segments of the banking system (wholesale and retail banks in Bahrain). Resolution of nonperforming loans of banks in many non-GCC countries (Algeria, Iran), and restructuring of banks (Iraq, Sudan) require continued attention. Finally, debt restructuring in Dubai may imply postponing the realization of losses and a new bout of rollover risk in a few years, especially if asset prices fail to recover as anticipated.

Credit to the private sector began to pick up in 2010 in several countries—including the GCC countries, Algeria, and Yemen. Continued efforts

will be needed to support the development of the financial system and enhance its regulation and supervision, in order to improve its efficiency and further increase its resilience. Supervisors in all countries should put in place incentives for banks to develop efficient risk management practices. Particularly important are steps to enhance access to credit for small and medium-sized enterprises, the promotion of appropriate instruments for housing finance, and development of domestic debt markets to provide the basis for long-term financing. In the more developed financial systems, existing macroprudential tools should be further refined to manage the credit cycle without fueling inflation, particularly in countries, such as those of the GCC, where monetary policy is constrained by a currency peg.

Selected Economic Indicators: MENAP Oil Exporters¹

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
Real GDP Growth	5.6	5.7	6.2	4.7	0.7	3.5	4.9
<i>(Annual change; percent)</i>							
Algeria	4.5	2.0	3.0	2.4	2.4	3.3	3.6
Bahrain	6.0	6.7	8.4	6.3	3.1	4.1	3.1
Iran, I.R. of	5.5	5.8	7.8	1.0	0.1	1.0	0.0
Iraq	...	6.2	1.5	9.5	4.2	0.8	9.6
Kuwait	7.1	5.3	4.5	5.0	-5.2	2.0	5.3
Libya	4.3	6.7	7.5	2.3	-2.3	4.2	...
Oman	3.3	5.5	6.7	12.9	1.1	4.2	4.4
Qatar	8.7	18.6	26.8	25.4	8.6	16.3	20.0
Saudi Arabia	4.0	3.2	2.0	4.2	0.6	3.7	7.5
Sudan	6.4	11.3	10.2	6.8	6.0	5.1	4.7
United Arab Emirates	8.1	8.8	6.5	5.3	-3.2	3.2	3.3
Yemen	4.5	3.2	3.3	3.6	3.9	8.0	3.4
Consumer Price Inflation	5.9	8.8	11.2	14.8	5.8	6.8	10.9
<i>(Year average; percent)</i>							
Algeria	2.3	2.3	3.6	4.9	5.7	4.3	5.0
Bahrain	0.7	2.0	3.3	3.5	2.8	2.0	3.0
Iran, I.R. of	13.5	11.9	18.4	25.4	10.8	12.5	22.5
Iraq	19.8	53.2	30.8	2.7	-2.8	5.1	5.0
Kuwait	1.7	3.1	5.5	10.6	4.0	4.1	6.1
Libya	-3.3	1.4	6.2	10.4	2.8	2.4	...
Oman	0.1	3.4	5.9	12.6	3.5	3.3	3.5
Qatar	3.5	11.8	13.8	15.0	-4.9	-2.4	4.2
Saudi Arabia	-0.1	2.3	4.1	9.9	5.1	5.4	6.0
Sudan	7.6	7.2	8.0	14.3	11.3	13.0	9.0
United Arab Emirates	3.6	9.3	11.1	12.3	1.6	0.9	4.5
Yemen	11.6	10.8	7.9	19.0	3.7	12.1	13.0
General Government Fiscal Balance	5.8	13.2	10.3	12.9	-2.7	3.0	7.5
<i>(Percent of GDP)</i>							
Algeria	6.6	13.5	4.4	7.7	-6.8	-2.7	5.0
Bahrain ²	1.4	2.7	1.9	4.9	-6.6	-7.8	1.6
Iran, I.R. of	2.0	0.0	2.4	-0.2	-1.9	0.6	4.0
Iraq	...	15.5	12.4	-1.2	-21.8	-10.8	-4.4
Kuwait ²	27.2	35.4	39.8	19.8	23.5	17.4	22.3
Libya	12.6	33.1	28.6	30.3	7.0	9.2	...
Oman ²	8.4	13.8	11.1	13.8	-1.2	6.2	14.2
Qatar	8.8	8.6	10.8	10.3	15.2	12.8	13.8
Saudi Arabia	7.7	24.6	15.8	34.4	-4.7	7.7	12.8
Sudan	-0.6	-4.3	-5.4	-1.4	-4.6	-1.9	-0.2
United Arab Emirates ³	4.5	18.1	15.4	16.5	-12.6	-1.3	6.5
Yemen	0.0	1.2	-7.2	-4.5	-10.2	-4.0	-6.4
Current Account Balance	11.2	21.9	17.9	18.8	4.2	9.2	16.9
<i>(Percent of GDP)</i>							
Algeria	14.0	24.7	22.8	20.2	0.3	9.4	17.8
Bahrain	5.0	13.8	15.7	10.2	2.9	4.6	13.0
Iran, I.R. of	5.2	9.2	11.9	7.3	4.2	6.0	11.7
Iraq	...	19.0	12.5	12.8	-26.6	-6.2	-3.2
Kuwait	26.2	44.6	36.8	40.5	26.1	31.8	39.4
Libya	18.9	49.7	41.7	41.7	15.6	16.0	...
Oman	9.4	15.4	5.9	8.3	-0.6	11.6	14.9
Qatar	25.2	25.3	25.0	29.2	10.2	18.7	36.1
Saudi Arabia	13.6	27.8	24.3	27.8	6.1	8.7	19.8
Sudan	-9.5	-15.2	-12.5	-9.0	-12.4	-8.5	-5.5
United Arab Emirates	7.7	15.4	6.0	7.4	3.0	7.7	10.4
Yemen	5.3	1.1	-7.0	-4.6	-10.2	-4.4	-4.0

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.²Central government.³Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

2. MENAP Oil Importers: Winds of Change

Social unrest and change are sweeping through many countries in the region. While economic spillovers to other MENAP oil importers from the unrest that began in Egypt and Tunisia have so far been limited, popular protests across the region point to a need for more inclusive growth and broader ownership of the reform agenda. Unrest has clouded the near-term outlook and added to the urgency of addressing high unemployment and improving social safety nets. Over time, a more open business environment that leverages the region's young and dynamic population would unleash faster and more sustainable improvements in living standards.

Before the Protests

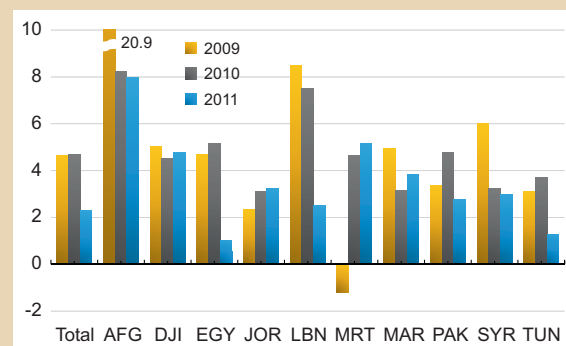
During 2009 and 2010, the region's economies were generally growing at a moderate but steady pace. Limited exposure to international capital markets insulated these countries from much of the impact of the global financial crisis, and ongoing reforms to liberalize economic activity helped uphold growth. In Egypt, Jordan, Morocco, and Tunisia—the four MENAP oil importers with quarterly national accounts—combined 2010 third-quarter output was 4.7 percent higher than a year earlier, with Egypt taking the lead at close to 5½ percent. Altogether, MENAP oil importers' economies are estimated to have grown by that same 4.7 percent in both 2009 and 2010, close to the average over the previous decade (Figure 2.1).

Steady recent economic expansion notwithstanding, the social unrest highlights the need for higher and more inclusive growth. Although economic activity had picked up compared to the 1990s, MENAP oil importers' growth during the 2000s was lower on a per capita basis than that of most other regions (Figure 2.2). Over the past decade, their real GDP per capita growth averaged about 3 percent a year compared to almost 5 percent for emerging and developing economies overall. Moreover, there was an increasing sense that the region's business environments were suffering from unfair competition, with systems rigged to benefit a privileged few and gains from higher growth being captured by a small segment of the population.

Prepared by Tobias Rasmussen with input from country teams.

Figure 2.1

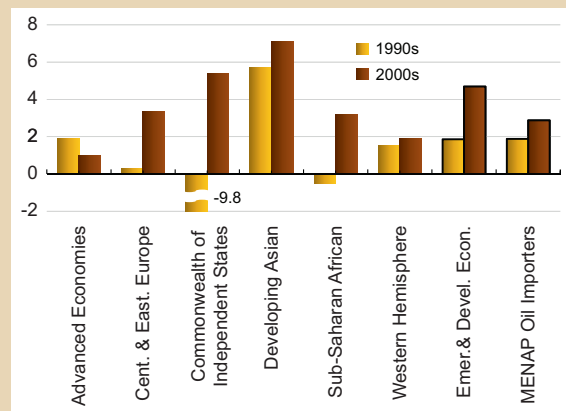
Real GDP Growth Largely Flat in 2010 (Annual percentage change)



Sources: National authorities; and IMF staff calculations.

Figure 2.2

Income Growth Lagging Other Emerging Markets (Annual average percentage change in real GDP per capita)



Sources: National authorities; and IMF staff calculations.

High unemployment has remained a major challenge. The increase in growth during the past decade was not sufficient to reduce unemployment, averaging about 12 percent in a labor force that has

grown more rapidly than in all other regions save sub-Saharan Africa. Unemployment is especially high among the young—with youth unemployment at 25–30 percent in Egypt and Tunisia—leaving many feeling excluded from economic progress.

The popular uprisings, the subsequent downfall of governments in Tunisia and Egypt, and violent protests in a number of other MENAP oil importers have shaken the existing order across the region. With this change comes the challenge of putting economies back on track, but also the opportunity to turn to a path of more inclusive growth.

Temporary Toll on Region's Economies

In Tunisia and Egypt, unrest will have a substantial economic cost. Aside from domestic disturbances,

these countries are also suffering more than the other oil importers from strife in neighboring Libya and the resultant return of more than 100,000 migrant workers. In Egypt and Tunisia, output growth is projected to slow by 2–4 percentage points in 2011, due to the temporary disruptions to economic activity as well as a virtual standstill in tourism and foreign direct investment (FDI) (Box 2.1). Both countries have also seen their fiscal deficits widen (in 2011 to a projected 9.7 percent of GDP in Egypt and 4.3 percent of GDP in Tunisia), as expenditures have increased in response to growing needs and higher borrowing costs, while revenues have suffered from lower economic growth and lower collection rates.

Disruption to economic activity in other MENAP oil importers has so far been more limited. Interruptions to gas deliveries from Egypt created some hardship in Lebanon and Jordan,

Box 2.1

Political Unrest Shakes Egyptian and Tunisian Economies

The civil unrest and subsequent political changes in Egypt and Tunisia will temporarily slow growth in 2011. The slowdown reflects disruptions to activity during the protests in January–February, uncertainty about future governments and their economic policy course, the impact of the conflict in Libya, and setbacks in tourism and FDI. In Egypt, real GDP growth is projected to slow to 1 percent in 2011 from 5.1 percent in 2010, and in Tunisia, growth is likely to fall to 1.3 percent in 2011 from 3.7 percent in 2010.¹

During the weeks of demonstrations, economic activity was sharply reduced.

- In Egypt, tourism collapsed, and investor and consumer confidence was shaken. Banks and the stock exchange closed. As the demonstrations wound down, a series of labor strikes for higher wages began, mainly affecting the public sector. Personal security deteriorated as the police force largely disappeared.
- In Tunisia industrial production declined by 13 percent in January, and tourism by 40 percent in January–February. On the whole, disruptions to economic activity have been milder and more short-lived than in Egypt.

In both countries, the security situation—although improved since early 2011—remains fragile, and uncertainty continues to weigh on the outlook. In Egypt, parliamentary and presidential elections are planned for September and November, respectively, and in Tunisia a provisional government currently holds power until elections at end-July. Still, political tensions remain high and the armed conflict in neighboring Libya has added to the risks surrounding the region.

Elevated insecurity in the region will continue to affect tourism and domestic and foreign direct investment in the months to come. For 2011 as a whole, receipts from tourism are projected to decline in both countries by up to 1 percent of GDP, and FDI by between 1 and 2 percent of GDP.

¹ In Egypt, the fiscal year runs July–June. 2011 refers to July 2010–June 2011.

Box 2.2

Tourism Takes a Break

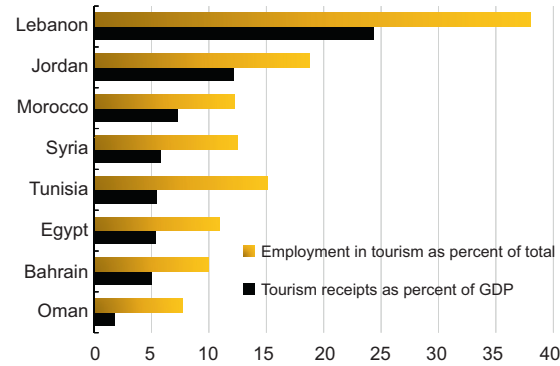
Spillovers from the unrest in Egypt, Libya, and Tunisia to tourism in other oil importers could be substantial, but are likely to vary along geographic lines (Figure 1). Other North African countries have traditionally catered to the same predominantly European market as have Egypt and Tunisia and may therefore see a similar, although much more muted, decline in tourist activity. Morocco’s tourism revenues continued to grow in February–March, but early indicators suggest a possible reversal. Closer to the Arabian Gulf, Jordan and Lebanon are the region’s two most tourism-dependent economies. But their visitors, who are primarily from other Arab countries, have exhibited resilience to turbulence in the past; arrivals in Lebanon continued unabated during the May 2008 turmoil (Figure 2).

Past experience suggests that the region’s tourism industry could recover quickly. Following the November 1997 terrorist attacks in Luxor, tourist arrivals in Egypt fell by about half, but fully recovered after about one year. More generally, analysis of how tourism has responded to outbreaks of violence indicates that the effect is transitory, with a recovery time ranging between 2–3 months and 18–21 months.¹ A key question, particularly for Tunisia (where the third quarter, on average, has accounted for almost 40 percent of total annual arrivals compared to 30 percent in Egypt), is whether visitors will return in time for the peak summer season.

¹ See e.g., B. S. Frey, S. Luechinger, and A. Stutzer, 2007, “Calculating Tragedy: Assessing the Costs of Terrorism,” *Journal of Economic Surveys* 21: 1–24; and E. Neumayer, 2004, “The Impact of Political Violence on Tourism: Dynamic Cross-National Estimation,” *Journal of Conflict Resolution* 48: 259–281.

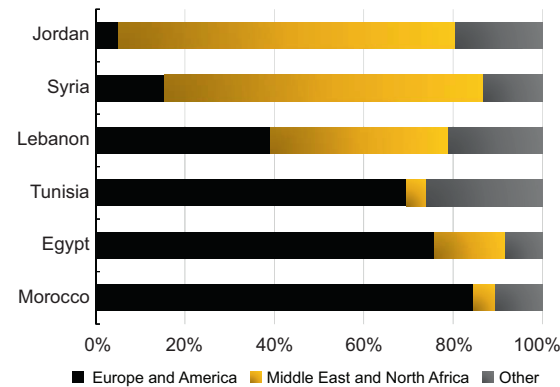
but supplies have been restored. More generally, limited economic ties among oil importers imply relatively little direct transmission of reduced economic activity. It is striking that within the group, Jordan and Syria are the two largest exporters of goods to Egypt and Tunisia, but these exports represent only about 0.5 percent of their

Figure 1
Tourism Receipts and Employment, 2010



Sources: IMF, *World Economic Outlook*; and World Travel and Tourism Council.

Figure 2
Tourism by Source
(Latest available year)



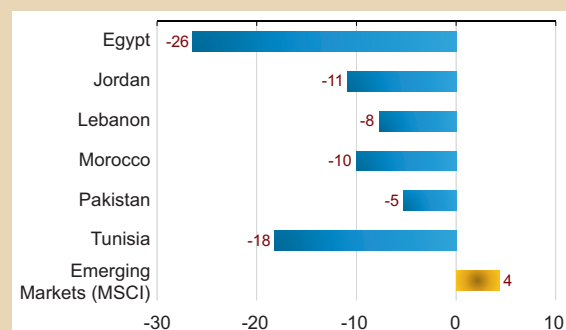
Sources: Central Bank of Egypt; Haver Analytics; Morocco Planning Commission; Syria Ministry of Tourism; and IMF staff estimates.
Notes: For Egypt, Morocco, and Tunisia: shares of tourist nights spent. For Lebanon and Syria: share of tourist arrivals. For Jordan: share of non-Jordanian arrivals, with Europe including only Britain and Germany.

GDP. Moreover, aside from Egypt and Tunisia, oil importers’ links to Libya are minimal. For most oil importers, the main cost from instability in the region has been an increase in global oil prices and setbacks to tourism and capital flows, which, in a few cases, have led to a loss of official reserves. Increased political tension in the region will reduce

Figure 2.3

Stock Market Indices Lower

(Percent changes from Jan 10 to Apr 14, 2011)

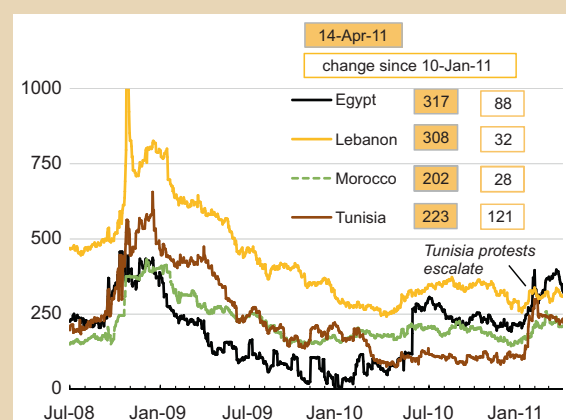


Source: Bloomberg.

Figure 2.4

Sovereign Bond Spreads Higher

(Basis points)



Sources: Bloomberg; and Markit.

the number of visitors, even to countries that have largely avoided unrest (Box 2.2). Foreign direct investment is likely to see similar effects, as investors reassess risks.

The added uncertainty resulting from the unrest has led lenders to reprice sovereign and corporate risk across the region, raising borrowing costs and affecting economic growth and fiscal positions in the future. Between January 10—around the time mass protests began in Tunisia—and mid-March, government bond spreads widened by 30–50 basis points in Lebanon and Morocco, and by over 100 basis points in Egypt and Tunisia. Credit default swap spreads have seen similar movements,

and equity markets have fallen between about 5 percent in Lebanon and Pakistan and 25 percent in Egypt (Figure 2.3). While interest rate spreads narrowed somewhat in late March and mostly remain well below levels recorded at the height of the global financial crisis in late 2008 (Figure 2.4), these market movements imply tighter financing conditions and a weaker recovery in credit extension and investment.

Higher Commodity Prices Add to Challenges

In addition to challenges stemming from unrest, the sharp increase in international fuel and food prices since late 2010 has led to substantial additional costs across the region. This is especially the case in countries such as Djibouti, Jordan, and Lebanon that are highly dependent on imports for their energy and foodstuff needs. Holding policies and quantities constant, higher fuel and food prices will increase MENAP oil importers' import bill by, on average, almost 3 percent of GDP (Table 2.1), of which roughly two-thirds is on account of higher fuel prices. This increase in the import bill translates into either higher consumer prices or a worsened fiscal balance, depending on the extent of subsidies and price controls.

Table 2.1

Impact of Higher Fuel and Food Prices

	Estimated Implied Increase in		
	Import Bill (Percent of GDP)	Consumer Prices (Percent)	Fiscal Deficit (Percent of GDP)
Egypt	1.6	2.2	2.8
Jordan	4.1	7 to 8	0.8 to 1.2
Lebanon	4.4	6 to 7	1.1 to 1.3
Mauritania	3.4	5.3	1.2
Morocco	2.3	0.7	2.3
Pakistan	2.1	2.8	1.0
Syria	1.9	1.5 to 2.5	1.0
Tunisia	1.6	2.6	1.6
Average	2.7	3.7	1.5

Sources: National authorities; and IMF staff estimates.

 Note: Direct impact with policies as of end-2010 of price increases of 32 percent for fuel and 24 percent for food, as implied by current *World Economic Outlook* projections for 2011 compared to 2010.

However, higher commodity prices are not all bad for MENAP oil importers. Export receipts from iron ore in Mauritania and phosphate rock in Morocco and Jordan have benefited from price increases of about 80 percent since end-2009. Moreover, greater trade and remittance receipts from oil exporters within the region—who are benefiting from higher oil prices—are likely to offset some of the negative impact of rising commodity prices (Box 2.3). This offset will be more pronounced for Mashreq countries, whose links to the fast-growing oil exporters in the Gulf are stronger than are those of Maghreb countries (Figure 2.5). In Tunisia and Morocco 70–80 percent of exports are directed to the European Union, whereas the majority of Jordan and Syria’s external receipts are from regional oil exporters.

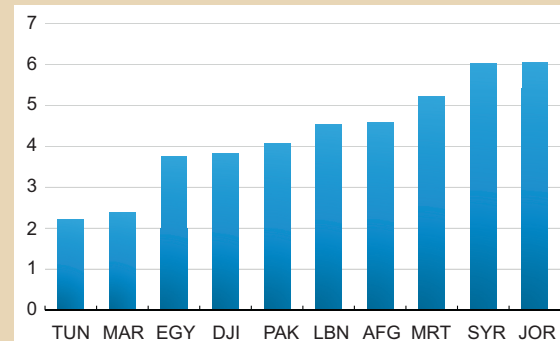
Policy Responses Come at a Fiscal Cost...

Governments throughout the region have introduced a range of measures in response to higher fuel and food prices and to social demands (Table 2.2).

- In Egypt, measures include advancing a 15 percent increase in government wages and pensions, the creation of a fund for reconstructing small enterprises, and a higher budgetary allocation for wheat imports.
- Jordan has raised allocations for social protection and announced cuts to taxes on fuel and foodstuffs, additional subsidies, and increased civil service salaries and pensions.
- In Lebanon, the excise tax on gasoline was reduced by about 55 percent in February.
- In Pakistan, regular monthly adjustments of petroleum product prices were suspended between November 2010 and March 2011.
- Syria has increased allowances for public sector employees, upped cash transfers to poor households, and reduced taxes on some food

Figure 2.5

Real GDP Growth of Trading Partners Differs (Weighted by goods exports shares; percent, 2011)



Source: IMF, *World Economic Outlook*.

products. Since late March 2011, the government has announced additional measures, including a reduction in income tax rates, an increase in the minimum wage, and the extension of full health coverage to civil service pensioners.

- In Tunisia, the interim government has increased transfers to the unemployed and the poorest segments of the population, suspended adjustments in regulated prices, extended subsidies, and scaled up public investment.

These new measures are in addition to the higher cost of maintaining existing subsidy systems, which, with an average cost of about 3 percent of GDP in 2010, are large by international standards. Morocco, for example, is facing an increase in the cost of existing subsidies of about 2 percent of GDP to be financed within the 2011 budget. Although most other countries will also at least partly offset greater spending on social protection with cuts elsewhere, the net effect is a widening of MENAP oil importers’ combined overall fiscal deficit to a projected 6.8 percent of GDP in 2011 (Figure 2.6).

...But Higher Spending Will Support Near-Term Growth

With fiscal stimulus helping offset more adverse economic conditions—outside of Egypt and

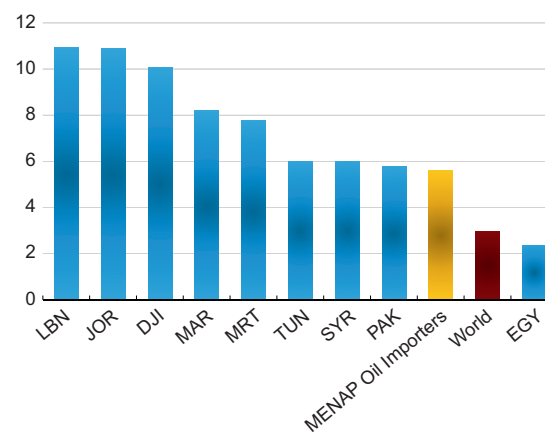
Box 2.3

Oil Prices and Intra-regional Linkages

Oil price changes have a large impact on MENAP oil importers' economies. On average, oil imports cost them almost 6 percent of GDP in 2010, about twice the world average (Figure 1). Consequently, if volumes remain unchanged, a 35 percent increase in the price of oil imports—roughly equal to the increase from the 2010 average price of crude to the projected price for 2011 of about US\$107 per barrel—would cause their import bill to increase by 2.1 percent of GDP. Not all countries are equally oil dependent, however. Owing to its growing production of natural gas, Egypt's oil imports, at 2½ percent of GDP in 2010, have dropped below the world average. Syria is also partially self-sufficient in hydrocarbons, although not to the extent it was in the 1990s. Jordan and Lebanon, in contrast, depend on foreign supplies for almost all their energy needs, and their oil imports are much higher, at over 10 percent of GDP.

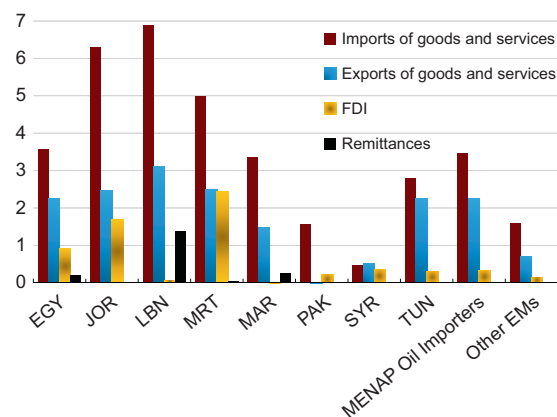
Despite large import needs, history shows that higher oil prices are not all bad news for MENAP oil importers. During 12 oil price shocks since 1970, even as they paid more for oil imports, MENAP oil importers' exports—and to a lesser extent FDI and remittances inflows—also increased, offsetting much of the higher import bill (Figure 2). For commodity exporters—Mauritania and to a lesser extent Jordan and Morocco—the increase in exports partly reflects a positive correlation between the price of oil and prices of other commodities. At the same time, the additional inflows also partly reflect linkages to regional oil exporters that gain when oil prices increase. It is notable that the two MENAP oil importers with the largest ratio of oil imports to GDP—Jordan and Lebanon—are also the economies most connected to the region's oil exporters, and where past episodes of oil price shocks have been associated with some of the largest increases in external receipts.

Figure 1
Value of Oil Imports, 2010
(Percent of GDP)



Source: IMF, *World Economic Outlook*.

Figure 2
Balance of Payment Changes During Oil Price Shocks Since 1970
(Median change in ratio to GDP from year earlier; percentage points)



Sources: IMF, *World Economic Outlook*; and IMF staff estimates.
Note: Oil price shocks identified as years when the nominal US dollar price of crude oil deflated by US CPI reaches a 3-year high. There have been 12 such years since 1970: 1973, 74, 79, 80, 90, 96, 2000, 04, 05, 06, 07, 08, during which real oil prices increased by an average of 46 percent. Other emerging markets are 53 IMF member countries not classified as low-income, advanced, or oil-exporting economies.

Prepared by Tobias Rasmussen and Agustín Roitman.

Table 2.2

Fiscal Policy Measures Announced Since Late 2010

	Subsidies	Social Welfare and/ or Cash Transfers	Government Salary/ Benefit Increases	Tax Breaks or Other	Annual Cost (Percent of GDP)
Egypt			✓	✓	0.7 to 0.9
Jordan	✓	✓	✓	✓	2.0 to 2.2
Lebanon				✓	1.0
Mauritania	✓		✓	✓	1.5 to 2.2
Pakistan	✓				0.3
Syria		✓	✓	✓	2.0
Tunisia	✓	✓		✓	1.4

Sources: National authorities; and IMF staff estimates.

Notes: Annual cost does not include higher costs of preexisting subsidies owing to higher commodity prices. Cost estimate for Syria does not include the additional measures announced since late March.

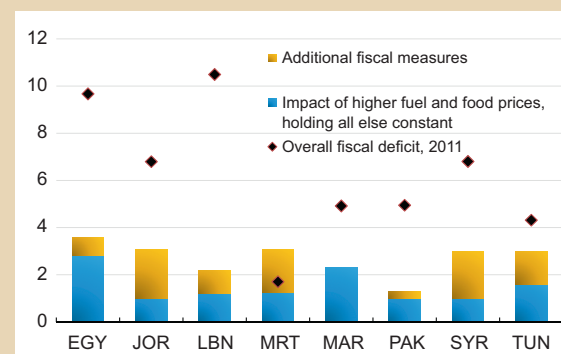
Tunisia—output growth in 2011 in most of the rest of the region is still, for the most part, projected to be on par with or higher than in 2010.

- In Afghanistan, output is projected to increase by a still strong 8 percent in 2011, driven by high levels of external assistance.
- In Djibouti, real GDP growth is projected to increase to 4.8 percent in 2011 from 4.5 percent in 2010 due to continued strong private demand and activity at the port.
- Jordan's recovery remains on track, with slowly rising domestic activity, a pickup in credit, and output growth projected to reach 3.3 percent in 2011.
- In Mauritania, the only MENAP oil importer to see negative growth in 2009, 2011 growth is projected to reach 5.2 percent, with iron ore exports leading the recovery.
- In Morocco, a strong recovery in agriculture as well as subsidies and other policies to buttress domestic demand have supported an increase in overall output, with growth projected to reach 3.9 percent in 2011.
- In Syria, the ongoing economic expansion in neighboring oil exporters and a recovery in the agricultural sector are helping hold up growth at a projected 3 percent in 2011, despite some disruption from recent protests.

In contrast, Lebanon and Pakistan are projected to record markedly lower growth in 2011 than in 2010, but primarily for reasons unrelated to regional unrest.

- Lebanon's economy, which continued to expand strongly through the global crisis in 2008–09, is projected to see growth fall to 2.5 percent in 2011, mainly as a result of political uncertainty, which predates and is unrelated to the events in Egypt and Tunisia.
- In Pakistan, real GDP growth is projected to fall to 2.8 percent in FY2010/11, largely as a consequence of last year's devastating floods, but also on account of high fiscal deficits that are crowding out private-sector credit and investment.

Figure 2.6

New Fiscal Costs
(Percent of GDP)

Sources: National authorities; and IMF staff calculations.

Economic Policy Space Is Tight

While several oil importers have some room to relax fiscal policy in the near term, financing in some countries may require external assistance. Higher interest rates and diminished prospects for new external bond issuance have made funding more costly and more difficult. Moreover, MENAP oil importers' public debt levels—although in all cases lower than a decade ago—mostly remain well above the 35 percent of GDP average for emerging markets, limiting the scope for additional borrowing. For countries with large budget deficits and which have been hard hit by unrest, external assistance may be needed to help bridge immediate financing gaps.

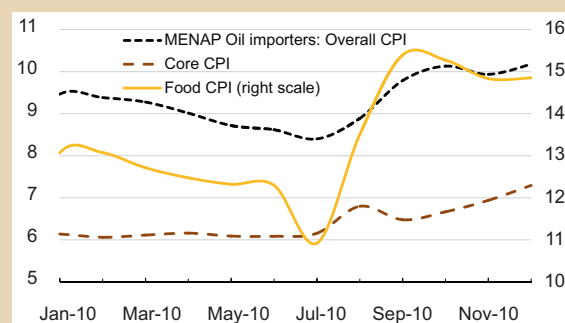
To bolster market confidence and prevent further escalation of the cost of funding, all countries would benefit from formulating plans for a return to fiscal consolidation over the medium term. The recent fiscal policy measures also highlight the need to develop better-targeted social protection mechanisms (Chapter 3.3). In the short term, increasing subsidies or raising government wages may be the only feasible mechanisms for providing quick relief to the population. However, such measures are not well targeted to the neediest, can be difficult to reverse, and may crowd out growth-enhancing public investment. Replacing them over time with a more cost-effective system of social protection, focused on assisting low-income households, will lead to a more efficient allocation of resources and will work toward the overriding goals of raising and sustaining living standards and generating lasting employment.

For monetary policy, room to maneuver is similarly limited. With interest rates going up globally and the recent increase in their own risk premiums, MENAP oil importers may need to raise policy rates. Moreover, while only Egypt and Pakistan—and, more recently, Afghanistan—are registering annual headline inflation above 10 percent, commodity price increases are adding to price pressures in all countries and already appear to be feeding into higher core inflation (Figure 2.7 and Box 2.4). Pakistan, where monetization of the fiscal

Figure 2.7

Inflationary Pressures

(Consumer prices¹; period average, annual percent change)



Sources: Haver Analytics; and national authorities.

¹Excludes Djibouti and Mauritania as data were unavailable.

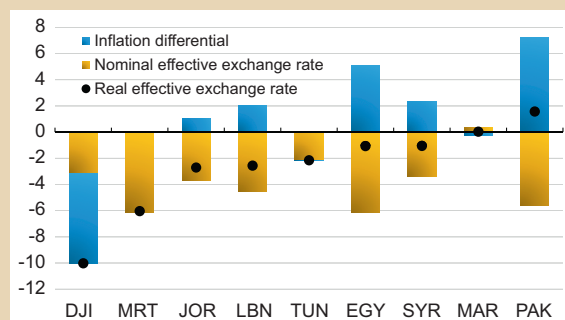
deficit is an added concern, is the only country in the group to have raised policy rates in the past year, but others may soon need to follow suit.

On the positive side, nominal exchange rate depreciation in almost all MENAP oil importers is helping offset lingering competitiveness problems (Figure 2.8). In countries with fixed exchange rates, currency movements have been driven by the weakening of the U.S. dollar against other major currencies since mid-2010. Egypt and Mauritania have taken a welcome step toward greater exchange rate flexibility. These depreciations have helped offset the previous appreciation of most oil importers' real effective exchange rates, which—particularly in Egypt—had become a concern.

Figure 2.8

Nominal Exchange Rates Have Depreciated

(Percent changes since June 2010; increase represents appreciation)



Source: IMF, *World Economic Outlook*.

Box 2.4

Monetary Policy Response to MENAP Food Inflation

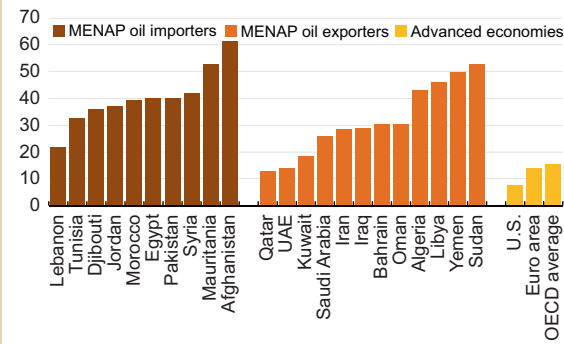
Food inflation in MENAP countries is higher, more volatile, and more persistent than nonfood inflation, and the weight of food in national consumption baskets is typically very large. Moreover, there are substantial second-round effects whereby food inflation propagates rapidly into nonfood inflation. Accordingly, monetary policy needs to focus on keeping headline inflation well anchored.

Inflation developments in many emerging and developing countries (including MENAP) can be characterized by three key stylized facts. First, the weight of food in the consumer price index is large (averaging about 36 percent in MENAP; see Figure). Second, food inflation is higher, more volatile, and more persistent than nonfood inflation (see Table). Third, so-called second-round effects, where food inflation propagates into nonfood inflation, appear to be strong. For MENAP countries, about half of a given shock to food inflation in the current quarter is transmitted to nonfood inflation in the following quarter.

Monetary policymakers and central banks often focus on a narrow measure of inflation—for example, nonfood inflation—constructed by the exclusion or down-weighting of volatile components (such as food prices). In principle, such a focus reduces transitory noise, and prevents central banks from erroneously changing monetary policy in response to temporary inflation shocks. However, in the context of the large share of food in most MENAP consumption baskets, focusing primarily on movements in nonfood inflation can provide a distorted picture of overall inflation in an economy, underestimate inflationary pressures, delay needed monetary policy responses, and may increase inflation expectations. Accordingly, when setting the stance of monetary policy, regional central banks should look not only at nonfood inflation, but should also pay greater attention to headline inflation.

Prepared by Paul Cashin and Agustín Roitman.

Weight of Food in the Consumer Price Index, 2010 (Percent)



Sources: Eurostat; national authorities; Organisation for Economic Co-operation and Development; and IMF staff calculations.

Average Annualized Inflation for MENAP Countries

(Percent, 1994–2011)

	Food	Nonfood
Average	13	9
Volatility	33	20
Persistence	0.14	0.09

Sources: National authorities; and IMF staff calculations. Note: Volatility is measured using the standard deviation; persistence is measured by the first-order autoregressive coefficient.

The Road Ahead

With the region undergoing unprecedented change, the outlook for MENAP oil importers is unusually uncertain. For the near term, risks are mainly on the downside, including the possibility of spreading unrest, sharply higher oil prices, and

rising fiscal deficits. Moreover, further deterioration of investor confidence and associated capital outflows could leave governments short of needed financing. While banking systems—aside from Afghanistan’s—have so far been resilient, the prospect of more nonperforming loans arising from the turbulence is also a potential vulnerability.

Over time, however, the changes taking place in the region could provide a boost for its economies. A more inclusive reform agenda that meets the population's demands by providing greater access to opportunity and more competition would make the economies more dynamic and leverage the region's inherent strengths: a young labor force and a privileged geographic position at the crossroads between major markets in Europe and fast-growing emerging and developing economies in Asia and sub-Saharan Africa.

The key to sustained progress will be to set out on the right track. Overcoming high unemployment will require a substantial increase in the pace of

economic growth. Continued care to maintain macroeconomic stability, coupled with reforms to remove deep-seated obstacles that are holding back the region's economies, could soon produce tangible results and build economic momentum over time. The needs are clear (see October 2010 *Regional Economic Outlook* and Chapter 3): upgrading education systems, improving business environments and allowing more open competition, raising intraregional trade and reorienting exports toward other fast-growing emerging markets, and developing financial systems with a wider reach. With all the changes currently sweeping through the region, the time is right for fundamental reforms.

Selected Economic Indicators: MENAP Oil Importers

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
Real GDP Growth	4.4	6.3	6.1	4.8	4.7	4.7	2.3
<i>(Annual change; percent)</i>							
Afghanistan, Rep. of	...	5.6	13.7	3.6	20.9	8.2	8.0
Djibouti	2.4	4.8	5.1	5.8	5.0	4.5	4.8
Egypt	4.0	6.8	7.1	7.2	4.7	5.1	1.0
Jordan	6.0	7.9	8.5	7.6	2.3	3.1	3.3
Lebanon	3.4	0.6	7.5	9.3	8.5	7.5	2.5
Mauritania	3.7	11.4	1.0	3.5	-1.2	4.7	5.2
Morocco	4.4	7.8	2.7	5.6	4.9	3.2	3.9
Pakistan	4.9	6.1	5.6	1.6	3.4	4.8	2.8
Syrian Arab Republic	3.8	5.0	5.7	4.5	6.0	3.2	3.0
Tunisia	4.4	5.7	6.3	4.5	3.1	3.7	1.3
Consumer Price Inflation	3.9	7.1	7.0	13.3	11.1	8.8	10.7
<i>(Year average; percent)</i>							
Afghanistan, Rep. of	...	7.2	8.6	30.5	-8.3	0.9	14.2
Djibouti	2.0	3.5	5.0	12.0	1.7	4.0	4.6
Egypt	4.7	7.6	9.5	18.3	11.7	11.6	11.8
Jordan	2.1	6.3	4.7	13.9	-0.7	5.0	6.1
Lebanon	0.5	5.6	4.1	10.8	1.2	4.5	6.5
Mauritania	7.9	6.2	7.3	7.3	2.2	6.1	7.3
Morocco	1.5	3.3	2.0	3.9	1.0	1.0	2.9
Pakistan	4.6	7.9	7.8	12.0	20.8	11.7	15.5
Syrian Arab Republic	2.7	10.4	4.7	15.2	2.8	4.4	6.0
Tunisia	2.7	4.1	3.4	4.9	3.5	4.4	4.0
General Government Fiscal Balance	-5.3	-4.7	-4.8	-5.4	-5.2	-6.0	-6.8
<i>(Percent of GDP)</i>							
Afghanistan, Rep. of	...	-3.1	-2.1	-4.3	-1.4	-0.1	-0.6
Djibouti	-1.8	-2.4	-2.6	1.3	-4.6	-0.5	-0.1
Egypt ¹	-9.9	-8.2	-7.3	-6.8	-6.9	-8.1	-9.7
Jordan	-3.1	-3.4	-5.5	-5.4	-8.5	-5.4	-6.8
Lebanon ¹	-15.3	-10.4	-10.8	-9.5	-8.2	-7.2	-10.5
Mauritania ^{1,2}	-6.6	35.8	-1.6	-6.5	-5.1	-0.4	-1.7
Morocco ¹	-5.2	-1.8	0.3	1.5	-2.1	-4.2	-4.9
Pakistan	-2.7	-3.7	-4.0	-7.3	-5.2	-6.0	-5.0
Syrian Arab Republic	-2.1	-1.1	-4.0	-2.9	-2.9	-4.8	-6.8
Tunisia	-2.6	-2.9	-2.8	-0.7	-2.6	-1.2	-4.3
Current Account Balance	-0.4	-1.6	-2.5	-4.6	-4.6	-3.3	-4.1
<i>(Percent of GDP)</i>							
Afghanistan, Rep. of	...	-5.7	0.9	-1.6	-2.6	2.0	-0.7
Djibouti	-0.4	-11.5	-21.4	-24.3	-9.1	-6.7	-15.4
Egypt	1.6	1.6	2.1	0.5	-2.3	-2.0	-2.7
Jordan	-0.0	-11.0	-16.9	-9.0	-6.3	-5.4	-8.5
Lebanon	-15.2	-5.3	-6.8	-9.2	-9.4	-10.2	-12.9
Mauritania	-18.8	-1.3	-18.3	-15.8	-12.3	-4.9	-6.9
Morocco	2.2	2.2	-0.1	-5.2	-4.9	-4.2	-5.7
Pakistan	1.6	-3.9	-4.8	-8.5	-5.7	-2.3	-1.5
Syrian Arab Republic	-1.3	-2.3	-3.6	-2.8	-5.7	-4.4	-4.6
Tunisia	-3.0	-1.8	-2.4	-3.8	-2.8	-4.8	-7.8

Sources: National authorities; and IMF staff estimates and projections.

¹Central government.²Includes oil revenue transferred to the oil fund.

3. Policy Challenges

3.1. MENA Oil Importers: Creating Jobs for the Young Workforce

The ongoing social and political events in the region highlight the urgency of addressing youth unemployment. To boost job creation and enhance the employability of young people, policymakers can in the short term bring forward labor-intensive infrastructure investments, provide tax incentives or credit guarantees to viable labor-intensive small and medium-sized enterprises, and scale up promising training programs, or introduce new well-designed and effective ones. But these measures are no substitute for a comprehensive employment strategy that reorients education to better equip graduates with the skills that employers seek; improves the business and investment climate; and dismantles labor market rigidities that discourage firms from hiring. In parallel, governments should provide effective social protection for workers and job seekers.

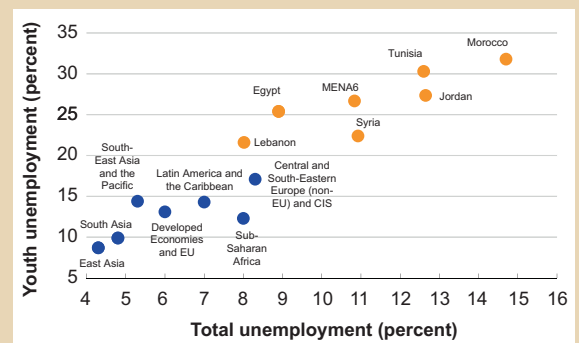
Addressing high unemployment is a longstanding challenge for the oil importers of the Middle East and North Africa (MENA). In 2008, unemployment rates in Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia (hereafter, the MENA6) averaged 11 percent, the highest regional rate worldwide (Figure 3.1.1). In contrast to recent cyclical increases elsewhere, high levels of unemployment are not new to the region: unemployment in the MENA6 has been largely structural, remaining in the vicinity of 12 percent over the past two decades. High labor force growth, skill mismatches, labor market rigidities, large public sectors, and high reservation wages have all conspired to keep unemployment persistently high (see October 2010 *Regional Economic Outlook* for details).

The high unemployment rates in the MENA6, together with low labor force participation rates—particularly among females—result in very low employment-to-working-age population ratios. At about 48 percent, the labor force participation rate in the MENA6 is much lower than in any other region in the world. The employment-to-working-age population ratio in the MENA6 is also the lowest regional rate worldwide, at well below 50 percent, in contrast, for example, to 70 percent in East Asia (Figure 3.1.2).

Prepared by Yasser Abdih.

Figure 3.1.1

Unemployment Rates by Region^{1,2} (2008³)



Sources: International Labor Organization; national authorities; IMF, *World Economic Outlook*; and IMF staff estimates.

¹MENA6 countries are Egypt, Jordan, Lebanon, Syria, Morocco, and Tunisia.

²Total and youth unemployment rates for Morocco reflect data from Urban Labor Force Survey.

³Or most recent earlier year for which data are available.

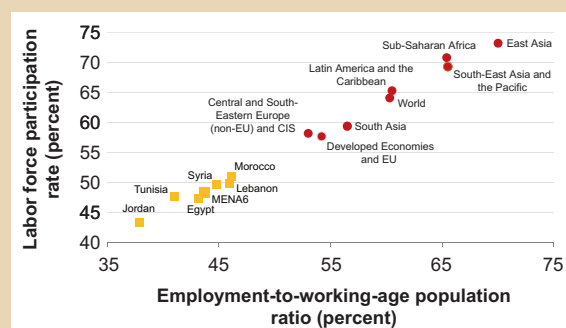
Unemployment: Largely a Youth Phenomenon

Unemployment in the region is largely a youth phenomenon. The share of youth (ages 15–24) in total unemployment exceeds 40 percent in all MENA6 countries, registering around 60 percent in Egypt and Syria.¹ Moreover, at over 25 percent, the

¹ The share of youth in total unemployment refers to data for 2008 or latest earlier year available. The source of the data is the International Labor Organization, except for Jordan (Department of Statistics).

Figure 3.1.2

Employment-to-Working-Age Population Ratios and Labor Force Participation Rates by Region (2008)



Sources: International Labor Organization; national authorities; IMF, *World Economic Outlook*; and IMF staff estimates.

youth unemployment rate in the MENA6 exceeds that of any other region in the world—a rate that reaches up to 30 percent in Tunisia and 32 percent in Morocco (Figure 3.1.1). Unusually, education in this region is not a guarantee against unemployment. In fact, unemployment tends to increase with schooling, exceeding 15 percent for those with tertiary education in Egypt, Jordan, and Tunisia.

Quick Wins with Long-Term Benefits: Lessons from Elsewhere

The ongoing social and political turmoil in the region has given urgency to the issue of addressing youth unemployment. Faced with this increasingly pressing challenge, policymakers across the region are struggling to find ways to create jobs and enhance the employability of their young populations. Governments can start implementing measures in the short term that would also have long-term benefits.

Turn infrastructure investment into a vehicle for employment generation. Investment in infrastructure can have a sizable impact on employment generation, even in the short term. For example, evidence from Latin America and the Caribbean suggests that about 40,000 annual direct and indirect new jobs can be created in the short term for every US\$1 billion spent on infrastructure projects. Extrapolating these

numbers to Egypt and Tunisia, for instance, suggests that 1 percent of GDP spent on infrastructure could generate in the short term as many as 87,000 new jobs in Egypt and 18,000 jobs in Tunisia. To have an immediate effect, policymakers in the region can therefore seek to bring forward viable labor-intensive infrastructure projects that are already in the pipeline, while maintaining fiscal sustainability. Such a policy will not only provide wage employment—including for young people—but will also enhance long-term growth, thereby leading to sustained job creation.

Support private-sector activity through macro policies. To encourage job creation, policymakers can explore the possibility of giving tax incentives or providing credit guarantees to viable labor-intensive small- and medium-sized enterprises, as was done in many emerging markets and transition economies during the global financial crisis. Moreover, removing impediments to access to credit would also help these enterprises.

Scale up promising training programs based on past successes in the region. The region offers a growing range of promising youth-oriented training programs. One such example is the Education For Employment Foundation (EFE), which currently operates in several countries in the region including Egypt, Jordan, and Morocco. EFE works with corporations and industries to assess demand for skills and to provide corresponding tailored training programs for young people. Through both in-class and on-the-job training, EFE has proven successful in providing job seekers with skills relevant to businesses and placing unemployed youth in jobs. For example, 85 percent of program graduates were placed in jobs in Jordan and 86 percent were placed in jobs and internships in Morocco. Policymakers should seek to scale up and replicate such promising programs.

Introduce new well-designed and effective training programs. Given the magnitude of youth unemployment and the urgent need to address it, policymakers may want to initiate new investments in well-designed training programs, in addition to expanding training programs that have shown some success. It is crucial that policymakers act now, given that it may take

some time to reap the benefits of new investments. Some lessons can be learned from the experiences of other countries when designing such programs. For example, evaluations of youth training programs in Latin America indicate that those that are demand-driven, offer on-the-job training, focus on both hard and soft skill formation, monitor performance, and perform impact evaluation have a significant positive impact on employment and earnings of program participants.

At the same time, when designing short-term solutions to youth unemployment, governments should ensure that such solutions do not harm the long-term goal of sustainable job creation and productive skill formation. For example, and in light of the ongoing political turmoil and uncertainty, governments may be enticed to quickly create unneeded jobs in the already large public sector. Such a policy, which may be difficult to unwind later, may distort labor market incentives and divert resources away from a potentially more vibrant private sector. As another example, giving subsidies to the educated unemployed youth, while well-intended and providing relief, may reinforce skills mismatches for future labor market entrants if the qualification for such subsidies is based solely on diplomas and credentials.

Pillars of a Comprehensive Job Strategy

In parallel to the measures discussed above, governments need to put in place a comprehensive job strategy aimed at addressing the underlying structural problems. Such a strategy should be based on three pillars: fostering inclusive growth, enhancing skill formation, and providing adequate social protection to workers and job seekers.

Fostering higher and more inclusive growth

Achieving high growth remains key to generating jobs for new labor market entrants. Growth needs

to be more inclusive; hence, governments need to create an environment that allows all segments of the population to contribute to and benefit from economic growth, not just a privileged few. Moreover, growth should be led by the private sector, and in this regard, government policies need to support an environment that enables that sector to flourish.

- *Create an environment that fosters a level playing field for everyone.* “Growth strategies cannot succeed without a commitment to equality of opportunity, giving everyone a fair chance to enjoy the fruits of growth.”² What is needed is an environment where people, particularly young people, have equal opportunities to acquire a good education, equal opportunities to compete for high-quality jobs, equal opportunities to become entrepreneurs, and equal opportunities to access credit or purchase land and other production factors. Ensuring greater equality of opportunity and broader sharing of the benefits of economic reform would lay a solid foundation for an inclusive and sustainable improvement in living standards.
- *Improve the business climate.* Reforms aimed at creating a business environment more conducive to investment and competition—including streamlining the cumbersome and costly procedures for business startups, strengthening property rights legislation, and enhancing contract enforcement—are key to unlocking the region’s employment potential. Such reforms would also facilitate the movement of educated young workers from low-growth-generating and low-income-earning activities in the informal sector to the formal sector.
- *Reach out to the diaspora.* There are large numbers of expatriates from the region in Europe, the United States, and the GCC. In many cases, these expatriates have not only advanced

² Commission on Growth and Development, 2008, *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, p. 7. www.growthcommission.org.

degrees, but also years of experience in competitive environments. Calling on the skilled diaspora and reversing “brain drain” would increase the supply of skilled labor and thereby help domestic economies grow and compete globally.³ Improvements in the business environment, better governance, and better enforcement of intellectual and property rights would help bring back talent residing abroad. The successful experiences of India and Taiwan in luring back the skilled diaspora suggest that such reforms may need to be complemented with specific policy support, such as the provision of tax and financial incentives.

- *Foster trade.* Recent empirical evidence indicates that countries in the region have been trading far below their potential (see October 2010 *Regional Economic Outlook*). Moreover, according to recent analysis by the World Economic Forum, trade policies in the MENA6 are among the most restrictive in the world. MENA6 tariffs—averaging approximately 12 percent—are nearly double those in emerging Asia. Furthermore, several countries in the region rank at the lower end among 139 countries surveyed on a measure of overall trade restrictiveness. By further liberalizing external trade and opening up domestic markets, the region could boost output growth and labor demand. Lowering tariffs, diversifying trade toward fast-growing emerging markets, and increasing intraregional trade would help in this regard.

Reduce skills mismatches by addressing the root causes

- *Realign curricula with private-sector needs.* Policymakers should scale up initiatives that better align education with the needs of the private sector. One such promising initiative is Injaz, a partnership between ministries of education and the private sector that gets

business leaders to teach marketable skills to high school and college students, including basic business skills, teamwork, leadership skills, and entrepreneurial thinking. Injaz was launched in Jordan in 1999 but now has spread to a dozen countries in the region.

- *Reform university admission policies.* The attractiveness of university education across the region suggests using university admission policies to influence skill formation at lower levels of education. Reforming such policies to test a broader range of skills beyond rote learning—including writing skills, critical thinking, and problem solving—would give incentives for students at the primary and secondary levels to acquire such skills.
- *Reform public sector hiring practices and compensation policies.* Public sector hiring procedures should place greater emphasis on skills and competition and less on paper qualifications. Governments could introduce interviews and tests that evaluate a broader range of skills, beyond what is currently being tested in universities and schools, including both hard and soft skills. Moreover, strengthening the link between compensation and performance and implementing merit-based promotion policies would also send the right signals regarding skill formation for young people.⁴

Protect the worker and not the job

The region suffers from overly rigid labor market regulations, when compared to elsewhere. In Egypt, for example, severance payments for established employees amount to 132 weeks’ worth of their final salaries. In Syria and Morocco, the average is 80 weeks and 85 weeks, respectively—much higher than the average of 38.6 weeks in the East Asia and Pacific region and 25.8 weeks in the developed

³ Marcus Noland and Howard Pack, 2007, *The Arab Economies in a Changing World* (Washington: Peterson Institute for International Economics).

⁴ See, for example, Djavad Salehi-Isfahani and Navtej Dhillon, 2008, “Stalled Youth Transitions in the Middle East: A Framework for Policy Reform,” Middle East Youth Initiative Working Paper No. 8 (Dubai: Middle East Youth Initiative).

world.⁵ Such high costs of firing discourage firms from hiring in the first place. Therefore, while such regulations are intended to protect the worker, they in fact impede job creation in the formal sector and contribute to driving firms into the informal economy where young people have limited opportunities for human capital development.

⁵ Navtej Dhillon and Tarik Yousef (eds.), 2009, *Generation in Waiting: The Unfulfilled Promise of Young People in the Middle East* (Washington: Brookings Institution Press).

Policy should aim at relaxing rigid labor market regulations, while at the same time preserving the right to collective bargaining and providing effective social protection, including unemployment insurance, for workers. More flexible labor market regulations would help enable the private sector to respond effectively to market signals and would increase the employment response of other reforms such as trade liberalization.

3.2. Moving from Subsidizing Products to Protecting People: Strengthening Social Protection in MENAP

Universal price subsidies—especially on foods and fuels—are common in the MENAP region. They appeal to governments because of their administrative ease, but also create distortions and are not well targeted. Several countries recently introduced or expanded price subsidies (and/or cut indirect taxes) to mitigate the impact of higher global commodity prices. While these steps can serve as temporary stop-gap measures, countries should prepare to replace subsidies with more cost-effective social safety net instruments, especially cash transfers and other forms of income support. Subsidy reform is difficult, but experience shows that countries can take steps to facilitate the process. These include collecting and disseminating information on costs and beneficiaries of subsidies; deploying comprehensive communication strategies; strengthening public sector governance and service delivery; gradually improving the targeting of subsidies, compensating reform losers, and strengthening targeted comprehensive social safety nets; establishing automatic pricing mechanisms; and moving in a regionally coordinated way.

The Cost of Reliance on Subsidies for Social Protection

MENAP countries stand out from comparators in other regions for their heavy reliance on universal price subsidies as a social protection tool (Box 3.2.1). According to estimates by the International Energy Agency, the MENAP region accounted for almost two-thirds of global petroleum price subsidies in 2009. Food subsidies are also widespread, with 17 out of 22 MENAP countries currently providing them.

Data on the budgetary costs of these subsidies—which include outlays for subsidies and foregone revenues—are scarce. An aggregation of IMF country desk estimates suggests that price subsidies in MENAP countries amounted to US\$200 billion (7.8 percent of GDP) in 2010. About 15 percent of this amount reflected the cost of food subsidies, and the remainder subsidies on fuels and electricity.

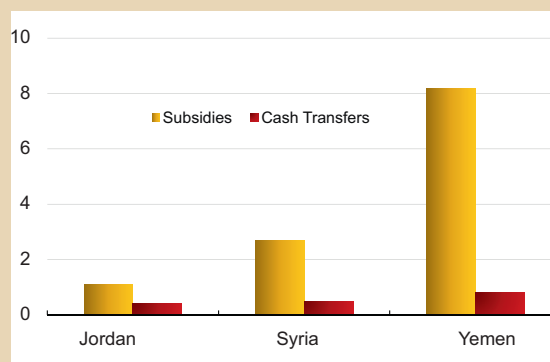
While a comprehensive tally of other social protection spending is unavailable, partial information suggests that social safety net instruments and social insurance play less of a role in the region. In particular, targeted cash transfers and other forms of income support are not used widely in MENAP countries and, where they exist,

the resources allocated to them are still relatively small (Figure 3.2.1).

Price subsidies are also imposing efficiency costs on the region. In 2009 and 2010, MENAP countries passed only 25 percent of the global gasoline price increase on to domestic consumers. For diesel fuel, the pass-through was even less. As a result, average retail fuel prices are much lower than in other regions.

Cheap fuel and food prices induce waste and overconsumption, which can lead to damage to the environment, inefficient investment choices, and competitiveness problems. For example, in countries such as Iran and the United Arab Emirates energy consumption (adjusted for income

Figure 3.2.1
Cost of Price Subsidies versus Cash Transfers
(Percent of GDP, 2010)



Sources: IMF staff calculations; and national authorities.

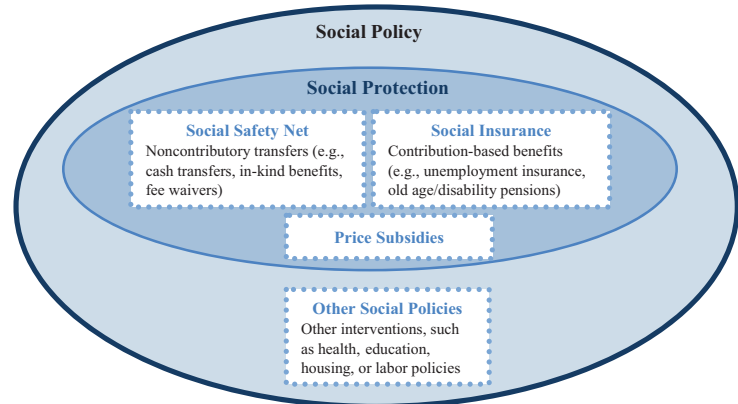
Prepared by Andreas Bauer.

Box 3.2.1

Social Protection Instruments

The social policy mandate of a government involves providing social protection to vulnerable segments of the population. Instruments typically used for this purpose include social safety net interventions, price subsidies, and social insurance schemes. Social safety nets are noncontributory transfer programs such as cash or near-cash transfers (e.g., food stamps), in-kind transfers (e.g., school feeding, mother/child complements, take-home food rations), and fee waivers for essential services (e.g., schooling, health care, utilities, and transportation). Social insurance involves benefits that are based on prior contributions (e.g., unemployment insurance and old age or disability pensions).

Taxonomy of Social Policy Interventions



Source: IMF staff illustration.

differences) is more than 50 percent higher than in the United States. In Egypt, price subsidies have reportedly led to the use of bread as animal and fish feed. Price subsidies also encourage socially wasteful activities such as smuggling, black markets, and corruption.

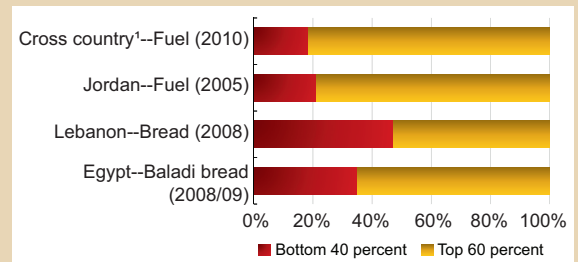
Because universal price subsidies are typically poorly targeted, their cost-effectiveness as a social protection instrument is highly questionable. For example, the poorest 40 percent of the population in Jordan receives less than a quarter of total spending on fuel subsidies. Food subsidies generally do better in terms of targeting performance, but even for them leakages to the better-off are still quite large (Figure 3.2.2).

The longer-term objective for MENAP countries should be to design and introduce more cost-effective social safety nets and replace price subsidies. Effective social safety net interventions such as cash transfers and other forms of income support can be better targeted—typically about

50–75 percent of spending on well-designed cash transfers reaches the bottom 40 percent of the population. Replacing subsidies with income support would strengthen social protection and free

Figure 3.2.2

Distribution of Subsidies Across Income Groups (Percent)



Sources: Robert Gillingham and Moataz El-Said, 2005, "Jordan: Distributional Effects of Eliminating Subsidies for Petroleum Products," Technical Assistance Report (Washington: International Monetary Fund); Javier Arze del Granado, David Coady, and Robert Gillingham, 2010, "The Unequal Benefits of Fuel Subsidies: A Review of Evidence for Developing Countries," IMF Working Paper 10/202 (Washington: International Monetary Fund); World Bank, 2010, "Egypt's Food Subsidies: Benefit Incidence and Leakages" (Washington).

up substantial resources for other priority uses. The latter is important for many oil-importing countries in the MENAP region, which have limited fiscal space. Even for oil-exporting countries for which fiscal space is not an issue, phasing out subsidies will prove beneficial by stemming excessive consumption and encouraging conservation and the adoption of more energy-efficient technologies.

Why Is Price Subsidy Reform So Difficult?

Attempts to phase out subsidy regimes have proven challenging in MENAP countries and elsewhere. Some subsidy reforms, especially in the 1980s and 1990s, led to a reduction in outlays, but attempts were often reversed after meeting (sometimes violent) resistance, or rolled back in the face of large commodity price swings.

Several factors explain uneven progress on subsidy reform thus far:

- First, there is a dearth of publicly available information about the magnitude and distributional impact of price subsidies, and, as a result, awareness of the fiscal costs and distortions of price subsidies is relatively low.
- Second, subsidies have created vested interests that are difficult to overcome.
- Third, resistance to subsidy reform reflects—in part—broader weaknesses in the delivery of public services. In many countries, middle-class households are squeezed because they cannot rely on publicly provided health care, schooling, or utilities. In this context, price subsidies are seen as one of few tangible benefits in return for tax payments, and their removal is, thus, heavily resisted.
- Fourth, in oil-producing countries, cheap energy is considered an entitlement by many, especially when there is no perception of other resource dividends from the government.
- Finally, even in cases when subsidies are clearly regressive, their removal can hurt the poor

and other vulnerable groups, and mitigation schemes must therefore be developed for the transition.

Steps to Strengthen Social Protection in the Short Term

Today, policymakers in MENAP countries are facing the twin challenges of alleviating immediate social pressures, including those arising from higher food and fuel prices, while also starting a process of more fundamental reform of their social protection systems.

To address short-term pressures, countries in the region have announced a number of mitigation measures (see Chapters 1 and 2). Some countries with existing social safety net instruments—such as cash transfers—have been able to scale these up, but many countries have also expanded subsidies or reduced taxes on food and fuel products.

While the use of these instruments is understandable in the absence of better targeted alternative delivery mechanisms, they should be seen as temporary stop-gap measures until more efficient protection instruments can be put in place. At the same time, better targeted measures such as school feeding programs, fee waivers for public services that cater mostly to the poor (e.g., health, education, or public transport), or labor-intensive public works can be expanded or introduced relatively quickly.

Advancing Subsidy Reform with Broad Ownership

The appropriate structure of strengthened social safety nets and the modalities and speed of fundamental price subsidy reform in the medium term will depend on country-specific factors, including administrative capacity, the political environment, and the macroeconomic and fiscal situation. However, experiences from other subsidy reform episodes (Box 3.2.2) can provide some guiding principles for the design of robust subsidy reform strategies:

Box 3.2.2

Examples of Successful Subsidy Reforms

In **Mexico**, the implementation in 1997 of *Progresa* (later renamed *Oportunidades para la Mayoría*), a program that provides cash transfers to the poor on condition that health, education, and nutrition targets (such as regular medical check-ups and school attendance) are met, allowed the government to phase out a number of poorly targeted food subsidies, including the generalized subsidy on tortillas in 1999. Evaluations have confirmed that the transfers, which are based on a combination of self-selection and means testing, are relatively well targeted compared to other safety net programs.

Indonesia more than doubled fuel prices in 2005 and further increased the prices of fuel products by 25–33 percent in 2008. Budgetary savings from the fuel price increase financed a cash compensation program to 15.5 million poor families (this scheme was later transformed into a conditional cash transfers program). Additional compensations to other groups included an increase in the personal income tax threshold, a reduction in tariffs on sugar, and a VAT exemption for agricultural products. As part of the reform, the authorities introduced an automatic fuel price adjustment mechanism. Indonesia's reform benefited from the availability of a well-targeted delivery mechanism for transfers and a successful communications campaign.

Jordan followed a gradual approach to phase out fuel price subsidies starting in 2005. By February 2008, domestic fuel prices followed international prices via a monthly automatic pricing regime. Mitigation measures included increases in minimum and civil service wages, one-time bonuses to government employees and pensioners with low incomes, introduction of a life-line electricity tariff structure, provision of cash transfers to low-income households, and increased allocations to the National Aid Fund (the government's social assistance entity). However, in January 2011, due to social pressures, the authorities temporarily suspended the automatic fuel price adjustment and reduced taxes on gasoline, diesel, and kerosene. Overall, the Jordanian experience illustrates the importance of putting in place effective social safety nets as part of price subsidy reforms that can be quickly scaled up, to reduce the odds of reform reversal in case of sudden shocks.

- *Collect and disseminate information about costs and benefits of subsidies.* Existing subsidies should be quantified, publicized, and brought on budget so that they are subjected to competition for public funding. In addition, household surveys have to be conducted and published so that the recipients of subsidies can be identified. This will heighten awareness of the cost of subsidies and the merits of reforming them.
- *Develop a comprehensive communication strategy.* A review of 40 country experiences between 2002 and 2006 showed that the odds of success in subsidy reforms almost tripled with strong political support and proactive public communications.
- *Strengthen public-sector governance, accountability, and capacity.* Resistance to subsidy reform will be lower if there is trust that saved resources are used well by the government. To this end, public financial management should be strengthened, particularly the integrity of the budget and the public investment management process. Net savings from subsidy reforms should be transparently allocated to high-priority projects to build public support. However, in countries with limited fiscal space some of the savings may have to be earmarked for deficit and debt reduction.
- *Improve targeting gradually to make early gains.* The transition from a social protection system that is heavily reliant on price subsidies to a comprehensive social safety net where cash transfers and other forms of income support predominate will have to be gradual in most cases, as delivery and targeting mechanisms need to be developed and put

Box 3.2.3**Replacing Subsidies with Cash Transfers: Subsidy Reform in the Islamic Republic of Iran**

In December, Iran started implementing the *Targeted Subsidies Reform Law* approved by the Iranian Parliament a year earlier. The substantial—up to 20 times—price increase for all major energy products, public transport, water, and some food items (such as bread) made Iran the first major energy-exporting country to cut indirect subsidies drastically and to replace them with across-the-board cash transfers to the population.

The price increases are estimated to have removed close to US\$60 billion dollars (about 15 percent of GDP) in annual product subsidies. The law stipulates that out of the revenue arising from the price increase, about US\$30 billion is to be redistributed equally to each household in the first year in freely usable cash, US\$18 billion to enterprises to finance their restructuring to reduce energy intensity, and about US\$12 billion to the government to allow it to pay for higher energy bills and improve energy efficiency in the public sector.

Impact

Despite the dramatic increase in prices, the reform was implemented smoothly. Transfer payments to households have supported demand for Iranian goods and particularly benefited the poor. There are indications that the newfound wealth flowing to Iran's smaller towns and villages is reinvigorating economic activity. Although it is too early to assess the impact on domestic energy use, early reports indicate energy consumption may have declined by up to 20 percent for some fuels. The impact of the energy price increase on consumer prices has so far been limited by the authorities' efforts to slow down the pass-through to retail prices through higher imports, inventory accumulation, and administrative measures.

Lessons and Looking Ahead

The smooth implementation of the price reform is owing mainly to the clarity of the reform's objectives, technical preparation, and extensive communication efforts by the government regarding the benefits of the reform and eligibility for cash transfers.

Looking ahead, reforming Iran's energy-intensive corporate sector and agriculture to offset the negative impact of higher energy prices on their balance sheet is likely to be the single biggest challenge for Iran. Iranian enterprises will need to change their production mix to more energy-efficient products, and alter their production technologies to reduce production costs. This adjustment process is likely to take several years and require the support of effective macroeconomic and microeconomic policies and incentives. The authorities, well aware of this challenge, are planning to launch a number of programs to assist enterprises in their restructuring efforts.

Iran: Selected Energy Prices

(Millions of barrels per day)

	Before Dec. 19, 2010 ¹	From Dec. 19, 2010 ¹
	US cents/liter	US cents/liter
Gasoline regular	10/39	39/68
Gasoline premium	15/53	49/78
Diesel	1.6	15/34
Gas oil	1.6	15/34
Kerosene	1.6	10
Fuel oil	1	19

Sources: Compiled by the authors from media reports.

¹ The first price applies to rationed quota, the second to quantities sold above the quota. To smooth the adjustment, households and selected industrial and agricultural users are eligible to purchase limited quantities of fuels at the lower price. The low-price quotas are expected to be phased out gradually.

Prepared by Dominique Guillaume and Roman Zyttek.

in place. However, in the meantime, quick gains from improved targeting can be scored by narrowing the scope of existing subsidies to products that are most important for the poor or capping quantities of subsidized products at subsistence consumption levels. Once delivery mechanisms are in place, price subsidies should be replaced by price-indexed cash transfers, ideally with attached conditions that provide incentives for human capital investment (if administrative costs are not too high). Where cash transfers already exist, these can be enhanced and scaled up from the onset to speed up the process of phasing out subsidies.

- *Provide compensation to losers.* Data from subsidy reform experiences suggest that the availability of alternative safety net programs and compensations more than doubles the likelihood of reform success. Measures to protect the poor, those living close to the poverty line, and even parts of the middle class thus need to be considered, at least for a transition phase. Such forms of compensation can be particularly important in oil-producing countries, where large price adjustments are needed and access to cheap energy is considered an entitlement. The ongoing reform in Iran, where substantial in-kind subsidies were replaced by cash transfers that are essentially an oil dividend, is likely

to provide relevant insights on this matter (Box 3.2.3). Any compensation should be tangible from the outset of the reform, but ultimately rolled into the redesigned social safety net.

- *Establish automatic pricing mechanisms to help depoliticize price setting.* Moving away from discretionary ad hoc pricing of commodities—particularly fuels—should be an integral part of any price subsidy reform. Automatic price adjustment can make price setting less controversial, especially if overseen by an independent regulatory agency. While the ultimate goal should be to liberalize fuel and food prices, there may be merit in adopting a smoothing rule (based on moving averages or price adjustment caps). Price smoothing can help prevent the suspension of price adjustment mechanisms in the face of sudden price increases, while still ensuring full pass-through over the medium term.
- *Move regionally, if possible.* A broader—even coordinated—effort in the region to phase out price subsidies and establish better social protection systems could also help ease the resistance to change. This approach could make a reduction in subsidies politically more palatable and would reduce the risk of negative spillovers from isolated reforms (for instance by eliminating incentives for smuggling).

3.3. The Impact of Financial Development on Economic Growth in the Middle East and North Africa

A key challenge for the MENA region is to generate higher rates of economic growth over the medium term to raise living standards and address high levels of unemployment. Slow growth in MENA over the past three decades can be partly traced to two main financial sector issues. First, several countries in the region lack financial depth and, second, the region as a whole has not fully benefited from the level of banking intermediation on offer, signaling a “quality gap.” Policy should therefore aim to provide a financial infrastructure conducive to bank and financial market development; enhance banking competition by removing entry barriers and improving credit information; reassess the role of state banks; and further the process of financial reform.

A vibrant and dynamic financial sector contributes to a host of improved economic outcomes including mobilization of savings, allocation of resources to productive uses, facilitation of transactions and risk management, and corporate control. In particular, there is widespread evidence that *financial depth*—the overall scale of bank intermediation and financial market activity—is associated with broader access to financial services and faster and more equitable economic growth.

Financial Depth Is Adequate Overall...

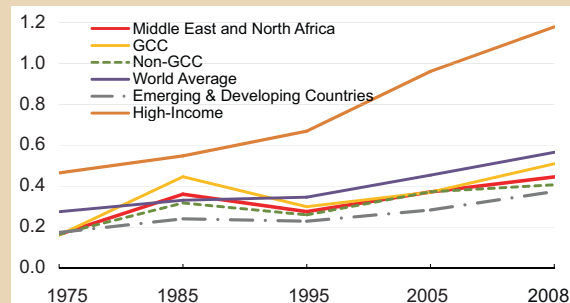
Using two common measures of financial depth—the ratio of private credit to GDP for bank intermediation, and the stock market turnover ratio¹ for market activity—MENA countries, on average, do not lag behind other regions. From 1975 to 2008, the average private-credit-to-GDP ratio for MENA was substantially higher than the emerging and developing country (EDC) average (Figure 3.3.1), although it has fallen short of East Asia and the Pacific since the early 1990s, and is well below that of high-income countries. As of 2008, the

Prepared by Adolfo Barajas (IMF), Ralph Chami (IMF), and Reza Yousefi (University of Texas at Austin).

¹Other indicators have frequently been used to measure financial depth, but these two indicators have proven to have a stronger and more robust relationship with economic growth. The turnover ratio is defined as the ratio of the value of shares traded to market capitalization.

Figure 3.3.1

Private Credit by Deposit Money Banks/GDP (1975–2008, percent)



Sources: IMF, *International Financial Statistics*; World Bank, *Database on Financial Development and Structure, 2010*; and authors' calculations.

private-credit-to-GDP ratio stood at 45 percent in MENA, compared to an EDC average level of 38 percent. Stock markets in MENA also appear to be deeper, on average, than in other emerging and developing countries, with a turnover ratio of 40 percent in 2007,² substantially higher than the EDC average of 26 percent (Figure 3.3.2).

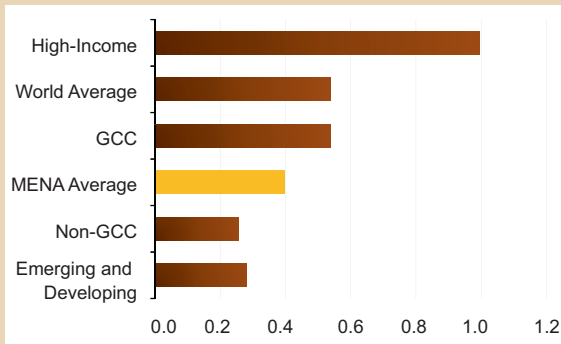
Of course, notable heterogeneity exists within the region. The high-income oil-exporting economies of the GCC exhibit markedly deeper financial sectors, with an average turnover ratio of 54 percent in 2007, compared to 26 percent for the rest of the MENA region. At the individual country level, while Saudi Arabia is relatively deep

²Country coverage of the turnover ratio declines notably after 2007.

Figure 3.3.2

Stock Market Depth by Region

(2007, Turnover Ratio: Value of Shares Traded/Capitalization)



Sources: World Bank, *Database on Financial Development and Structure*, 2010; and authors' calculations.

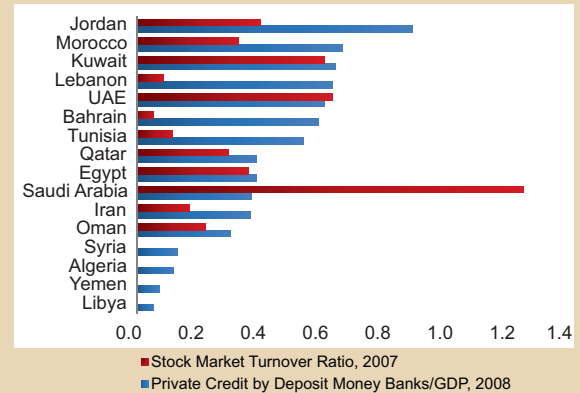
on both fronts, with a private-credit-to-GDP ratio of 39 percent and a turnover ratio of 131 percent, Yemen's private-credit-to-GDP ratio is 8 percent (Figure 3.3.3).

...But Banks Have Not Delivered

However, banking systems in the MENA region have not produced the expected growth-enhancing benefits commensurate with their depth, signaling a *quality gap* with respect to the rest of the world. First, the region has fallen short in providing access to financial services for the population. Survey results indicate that, compared to other regions, MENA businesses—particularly small and medium-sized enterprises—have received substantially less financing from banks, and perceive this lack of financing to be a serious constraint to business expansion.³ Loan concentration tends to be greater, and the percentage of the population with access to bank deposits tends to be lower. Second, a recent study shows that competition within MENA banking systems has lagged behind that of other

³ Based on the World Bank Enterprise Surveys, which indicate that 30 percent of firms in MENA are receiving a loan or line of credit from a bank, compared to 33 percent for the EDC average, and 35 percent of MENA firms identify access to credit as a major constraint, for which the region ranks second to sub-Saharan Africa.

Figure 3.3.3

Financial Depth in MENA Countries

Sources: IMF, *International Financial Statistics*; World Bank, *Database on Financial Development and Structure*, 2010; and authors' calculations.

regions—partly explaining the lack of access described above—and that it is largely attributed to more stringent entry restrictions, a weak credit information environment, and a deficient level of development of nonbank sources of finance.⁴

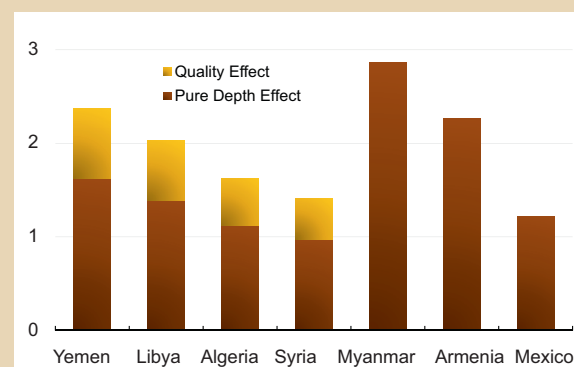
As a result, the impact of banking depth on growth in MENA is weaker than in other regions. An analysis of the determinants of economic growth across a broad sample of countries reveals that, for a given level of private credit, the impact on economic growth is about a third lower than in other EDC regions. For example, if Yemen's banking system were to deepen to the EDC average, annual per capita growth would increase by 1½ percentage points, while a non-MENA country with a similar initial depth—Armenia, for example—would increase growth by 2⅓ percentage points per year (Figure 3.3.4). The difference, of about ¾ of a percentage point, is the result of the quality gap, or the lack of access and competition in MENA banking systems. Moreover, even for MENA countries with above-average and continuously increasing depth, there is a measurable loss of economic growth due to the quality gap, of up to ¼ of a percentage point per year.

⁴ Diego Anzoategui, María Soledad Martínez-Pería, and Ricardo Rocha, 2010, "Bank Competition in the Middle East and Northern Africa Region," World Bank Policy Research Paper 5363 (Washington: World Bank).

Figure 3.3.4

Growth Impact of Raising Credit/GDP to Emerging Country Average

(Average annual percentage points, per capita real GDP)



Sources: National authorities; and IMF staff estimates.

Policy Actions Going Forward

The sweeping changes currently taking place in the region provide an opportunity to introduce far-reaching reforms in the financial area. In order to promote economic growth, policy actions should be directed toward increasing financial depth—particularly in countries where it is most lacking—and enhancing the quality of banking intermediation. Successful implementation of these policies will help increase access to finance, both to households and to SMEs. These policies include:

- Improving legal frameworks that protect creditor and minority shareholder rights, streamlining insolvency regimes, removing excessive controls on credit and/or interest rates, and maintaining macroeconomic stability, which have been effective in encouraging financial deepening throughout the world.

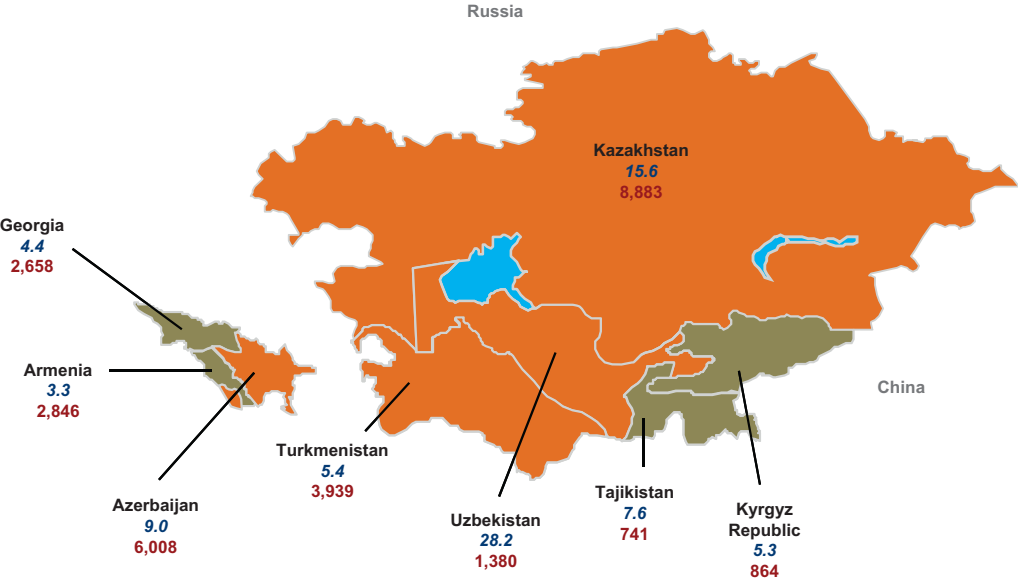
- For both deep and shallow systems in the region, enhancing competition will be crucial to improving the quality of intermediation and strengthening bank governance. The relaxing of stringent entry restrictions, to both new domestic and foreign banks, and actions to improve the credit information environment—including the introduction or strengthening of a credit registry—will play an important role.
- In some MENA countries, the role of state banks should be carefully assessed—and, if necessary, scaled down.⁵ Worldwide analysis has shown that a dominant state bank presence is associated with lack of financial deepening and, when combined with institutional weakness, with higher governance-related problems and lower economic growth.
- Government actions to kick-start financial market development, by placing government debt domestically on open and voluntary markets and encouraging development of a secondary market, would also support greater competition by providing alternative channels of financing to banking.

⁵ Roberto Rocha, Subika Farazi, and Eric Feyen, 2011, “Bank Ownership and Performance in the Middle East and North Africa Region,” Unpublished (Washington: World Bank). This study shows that state banks in MENA follow three *mandates* (government financing, employment, and development) that come at a cost: lower profitability, higher operation costs, and lower asset quality than their private counterparts.

Caucasus and Central Asia

Population, millions (2010)
GDP per capita, U.S. dollars (2010)

Oil and gas exporters
Oil and gas importers



Sources: IMF, Regional Economic Outlook database; and Microsoft Map Land.
Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

CCA Highlights

At 6½ percent, growth in the CCA countries in 2010 was higher than expected, driven by commodity exports and public investment. Oil and gas exporting countries enjoyed growth of 7 percent and improved their current account position by 5½ percentage points of GDP. While the expansion in oil and gas importers was lower (4 percent), their external position also strengthened, aided by higher mineral and metal prices and a pickup of remittances. Growth is expected to moderate to 5¾ percent in 2011 as oil and gas production growth slows down.

Inflation is rising in all CCA countries. It averaged 7¼ percent in 2010 and is projected to pick up further to 10 percent in 2011, largely reflecting food and fuel price increases but also, in some cases, emerging demand pressures. High inflation adversely affects the poor and complicates policymaking. In response, the authorities are tightening monetary policies to avoid second-round effects from higher commodity prices, and in some cases using administrative measures to limit price increases.

Fiscal consolidation plans for 2011 are mixed across the region, and under pressure from demands for higher spending. In Armenia and Georgia, where fiscal space is constrained and self-sustaining recovery appears to be in place, further significant fiscal tightening is planned. Elsewhere, pressures for higher spending are delaying or slowing consolidation. For oil and gas exporters, which have ample fiscal space, a gradual path of fiscal adjustment is appropriate, with non-oil deficits in 2011 remaining significantly higher than before the crisis.

Policymakers will need to address three main immediate challenges: the pickup of inflation, an upsurge of social pressures to spend, and the poor quality of bank portfolios. Dealing with inflation will require close monitoring of developments, and probably further tightening of policies as second-round effects of the commodity price shocks begin to emerge. Efforts to prioritize and improve the quality of public expenditure will be crucial at a time when countries need to develop targeted and cost-effective safety nets to protect the most vulnerable. Restoring the health of banking systems, particularly in Kazakhstan, the Kyrgyz Republic, and Tajikistan, is needed to support a recovery in credit and private investment.

Over the medium term, job creation and poverty reduction are key objectives for all countries. Progress will depend on developing adequate safety nets, increasing the role of the private sector, diversifying economies away from natural resources, and achieving greater regional synergies. Improving the business environment through enhanced transparency, governance, and institutional quality is an important item of the reform agenda.

CCA Region: Selected Economic Indicators, 2000–11*(Percent of GDP, unless otherwise indicated)*

	Average				Proj.
	2000–07	2008	2009	2010	2011
CCA					
Real GDP (annual growth)	10.3	6.8	3.7	6.6	5.7
Current Account Balance	-0.6	8.9	0.4	5.7	8.6
Overall Fiscal Balance	1.4	6.2	0.9	3.4	4.5
Inflation, p.a. (annual growth)	9.8	16.5	6.2	7.2	10.1
CCA oil and gas exporters					
Real GDP (annual growth)	10.7	7.0	4.9	7.1	5.8
Current Account Balance	0.3	12.4	1.8	7.4	10.7
Overall Fiscal Balance	2.2	8.0	2.2	4.9	6.1
Inflation, p.a. (annual growth)	10.2	16.8	6.6	7.2	9.6
CCA oil and gas importers					
Real GDP (annual growth)	8.3	5.8	-3.5	4.0	5.2
Current Account Balance	-6.3	-14.7	-9.6	-8.5	-10.4
Overall Fiscal Balance	-2.8	-3.6	-6.9	-5.3	-5.2
Inflation, p.a. (annual growth)	7.8	14.4	4.2	7.4	13.2

Sources: National authorities; and IMF staff calculations and projections.

CCA oil and gas exporters: Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan.

CCA oil and gas importers: Armenia, Georgia, the Kyrgyz Republic, and Tajikistan.

Основные положения по странам КЦА

Темпы роста в странах Кавказа и Центральной Азии (КЦА), составившие в 2010 году 6½ процента, были выше, чем ожидалось, при этом движущей силой были экспорт биржевых товаров и государственные инвестиции. Страны-экспортеры нефти и газа имели прирост на 7 процентов и улучшили свое сальдо счета текущих операций на 5½ процентного пункта ВВП. Хотя прирост в странах-импортерах нефти и газа был меньше (4 процента), их внешнеэкономическое положение также упрочилось, этому способствовали более высокие цены на минеральное сырье и металлы, а также увеличение денежных переводов. Ожидается, что в 2011 году, когда замедлится рост производства нефти и газа, темпы роста экономики снизятся до 5¾ процента.

Рост инфляции происходит во всех странах КЦА. В среднем ее темпы в 2010 году составили 7¼ процента, и, по прогнозам, в 2011 году они еще больше возрастут, достигнув 10 процентов, в основном в результате повышения цен на продовольствие и топливо, а также, в некоторых случаях из-за возникающего давления со стороны спроса. Высокая инфляция отрицательно сказывается на малоимущих и усложняет разработку и проведение политики. Официальные органы реагируют на это, ужесточая денежно-кредитную политику, с тем чтобы избежать эффектов второго порядка от роста цен на биржевые товары, и в некоторых случаях применяя административные меры для ограничения повышения цен.

Планы бюджетной консолидации на 2011 год в странах региона являются различными и подвергаются давлению, оказываемому с целью увеличения расходов. В Армении и Грузии, где бюджетное пространство ограничено и, по-видимому, происходит самостоятельный подъем в экономике, планируется дальнейшее ужесточение налогово-бюджетной политики. В других странах требования об увеличении расходов приводят к отсрочке или замедлению консолидации. В странах-экспортерах нефти и газа, где есть достаточное бюджетное пространство, целесообразны постепенные темпы бюджетной консолидации, при этом в 2011 году нефтегазовые дефициты останутся существенно более высокими, чем до кризиса.

Директивным органам будет необходимо решить три основные неотложные проблемы: повышение инфляции, увеличение общественного давления в целях наращивания расходов и низкое качество банковских кредитных портфелей. Сдерживание инфляции потребует внимательного наблюдения за развитием событий и, возможно, дополнительного ужесточения экономической политики, поскольку появляются эффекты второго порядка, связанные с шоками цен на биржевые товары. Меры по определению приоритетов и повышению качества государственных расходов будут критически важны в период, когда странам необходимо разработать адресные и экономически эффективные системы социальной защиты для наиболее уязвимых групп. Оздоровление банковских систем, особенно в Казахстане, Кыргызской Республике и Таджикистане, необходимо для поддержки восстановления кредита и частных инвестиций.

В среднесрочной перспективе важнейшими целями для всех стран являются создание рабочих мест и сокращения бедности. Успехи в этом направлении зависят от создания достаточных систем социальной защиты, повышения роли частного сектора, диверсификации экономики за счет уменьшения зависимости от природных ресурсов и достижения более значительных региональных синергетических эффектов. Улучшение деловой среды благодаря повышению степени прозрачности, совершенствованию управления и повышению качества институтов является важной составной частью программы реформ.

Регион КЦА: отдельные экономические показатели, 2000–11 годы*(В процентах ВВП, если не указано иное)*

	Среднее 2000–07	2008	2009	2010	Прогноз 2011
КЦА					
Реальный ВВП (годовые темпы)	10.3	6.8	3.7	6.6	5.7
Сальдо счета текущих операций	-0.6	8.9	0.4	5.7	8.6
Общее сальдо бюджета	1.4	6.2	0.9	3.4	4.5
Инфляция (годовые темпы в процентах)	9.8	16.5	6.2	7.2	10.1
Экспортеры нефти и газа КЦА					
Реальный ВВП (годовые темпы)	10.7	7.0	4.9	7.1	5.8
Сальдо счета текущих операций	0.3	12.4	1.8	7.4	10.7
Общее сальдо бюджета	2.2	8.0	2.2	4.9	6.1
Инфляция (годовые темпы в процентах)	10.2	16.8	6.6	7.2	9.6
Импортеры нефти и газа КЦА					
Реальный ВВП (годовые темпы)	8.3	5.8	-3.5	4.0	5.2
Сальдо счета текущих операций	-6.3	-14.7	-9.6	-8.5	-10.4
Общее сальдо бюджета	-2.8	-3.6	-6.9	-5.3	-5.2
Инфляция (годовые темпы в процентах)	7.8	14.4	4.2	7.4	13.2

Источники: национальные официальные органы; расчеты и прогнозы персонала МВФ.

Экспортеры нефти и газа КЦА: Азербайджан, Казахстан, Туркменистан и Узбекистан.

Импортеры нефти и газа КЦА: Армения, Грузия, Кыргызская Республика и Таджикистан.

4. Caucasus and Central Asia: Sustaining the Recovery

The sharper-than-envisaged rebound in the CCA in 2010 was led by commodity exports and public investment. To sustain and broaden this recovery, policies will have to confront three short-term challenges: first, countering second-round effects from food and fuel price increases, while protecting the poor; second, resisting expenditure pressures while improving the quality of spending, including by developing safety nets; third, strengthening bank balance sheets, risk management, and supervisory practices to reinvigorate credit growth and address vulnerabilities. Over the medium term, business environment improvements are needed to support diversified and broad-based growth and employment.

Growth Continued to Recover But Inflation Picked Up

The postcrisis recovery took hold in 2010, with growth estimated at 6½ percent, substantially higher than in 2009 (3½ percent). Last year's outturn was higher than previously projected, except in Armenia and Turkmenistan, and consistent with performance in other emerging and low-income countries. CCA growth was well above the global expansion of 5 percent and growth in Russia of 3¾ percent (Figure 4.1).

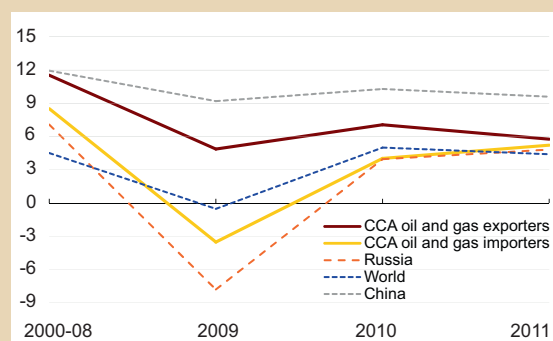
The recovery was mainly driven by higher oil and gas exports—helped by favorable prices—and by public investment and fiscal support to sectors affected by the crisis (Figure 4.2a). In the four oil and gas exporters—Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan—growth averaged 7 percent, compared with 4 percent in the oil and gas importing countries (Armenia, Georgia, Kyrgyz Republic, Tajikistan), although those countries benefited from higher mineral and metals prices.

The recovery in 2010 is likely to have narrowed output gaps in CCA countries.¹ However, precrisis growth drivers did not fully recover and private demand remained subdued in countries like Kazakhstan, restrained by weak financial systems

Prepared by Ana Lucía Coronel and Mark Horton with input from country teams.

¹ Estimating potential output in the CCA countries is complicated by data constraints, interactions between natural resource sectors and the rest of CCA economies, structural changes, and demand and supply shocks.

Figure 4.1
Real GDP
(Annual percentage growth)

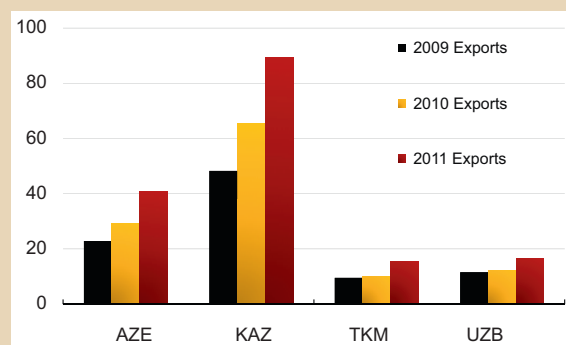


Sources: National authorities; IMF *World Economic Outlook*; and IMF staff projections and calculations.

and ongoing deleveraging. Remittances—a key source of inflows and support for domestic construction activities in Armenia, the Kyrgyz Republic, and Tajikistan—picked up from 2009, but remained well off 2008 levels (Figure 4.2b). Similarly, in Georgia and Kazakhstan, foreign direct investment (FDI) continued to be well below precrisis levels, and there was a further net outflow of financing to foreign banks from Kazakhstan in 2010, in sharp contrast to the precrisis period.

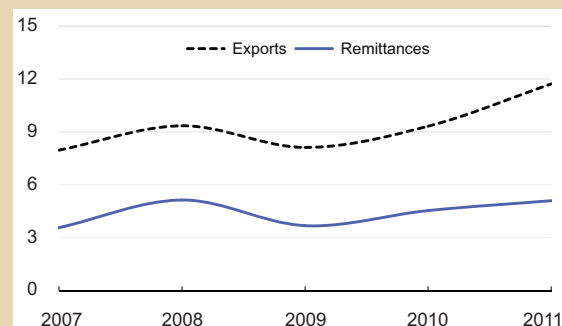
Headline inflation increased in all countries, mainly following upward pressure on global commodity prices, but in some cases also demand pressures (Figures 4.3a and 4.3b). Nonfood inflation picked up in some countries (Kyrgyz Republic, Tajikistan, Uzbekistan). For the region as a whole, consumer price index (CPI) inflation increased by 1 percentage point to average 7¼ percent (year-on-year) in 2010.

Figure 4.2a
Exports of CCA Oil and Gas Exporters
(Billions of U.S. dollars)



Sources: National authorities; and IMF staff calculations.

Figure 4.2b
Exports and Net Remittances of CCA Oil and Gas Importers
(Billions of U.S. dollars)



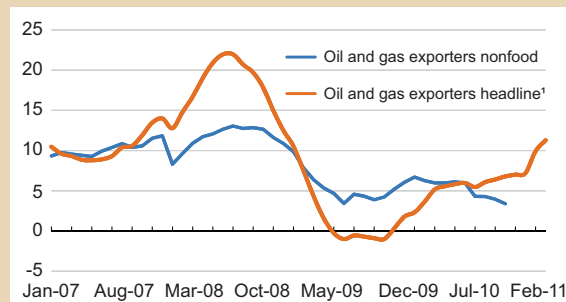
Sources: National authorities; and IMF staff projections and calculations.

The external position of CCA countries strengthened in 2010. Current account balances improved by 1 percentage point of GDP in the oil and gas importing countries and by 5½ percentage points in the oil and gas exporters in 2010. However, current account deficits remain high in Armenia and Georgia, and a large public investment program led to a large current account deficit in Turkmenistan for the second year in a row. Foreign exchange reserves generally increased, particularly in Azerbaijan and Kazakhstan, where there was also a significant accumulation of assets in sovereign wealth funds. International reserves are generally at healthy levels across the region, although somewhat low in Tajikistan relative to common international benchmarks.

Continuing Recovery at a Moderating Pace

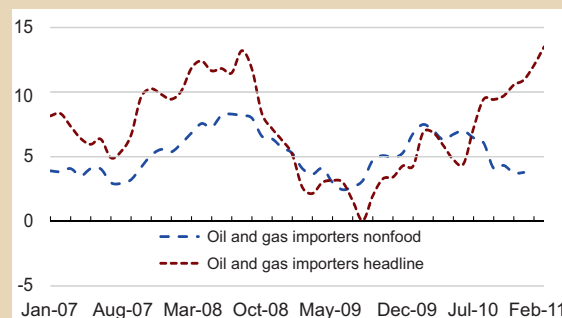
Current projections point to a moderation of growth across the CCA, from 6½ percent in 2010 to 5¾ percent in 2011. This is driven by lower growth in CCA oil and gas exporting countries, despite higher oil prices, as oil production is expected to grow at a slower pace in Kazakhstan and to decline in Azerbaijan. Non-oil GDP growth is projected to ease slightly from the strong rebound in 2010 in both countries and in Turkmenistan. In the oil and gas importers, growth is expected to accelerate, on average, reflecting a recovery from last year's poor harvest in Armenia and a rebound

Figure 4.3a
Aggregated Headline and Nonfood Inflation, CCA Oil and Gas Exporters
(GDP weighted CPI; year-on-year percent change; 2007–10)



Sources: National authorities; and IMF staff calculations.
¹January and February 2011 do not include Turkmenistan.

Figure 4.3b
Aggregated Headline and Nonfood Inflation, CCA Oil and Gas Importers
(GDP weighted CPI; year-on-year percent change; 2007–10)

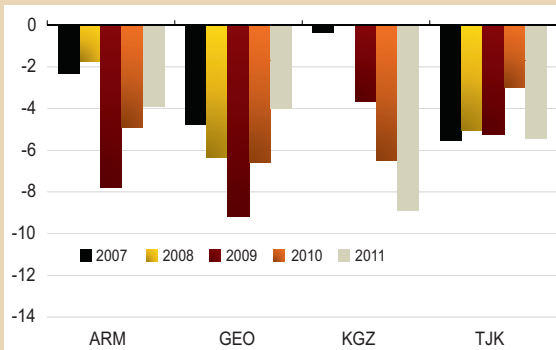


Sources: National authorities; and IMF staff calculations.

Figure 4.4a

Fiscal Balances in Oil and Gas Importers

(Percent of GDP)

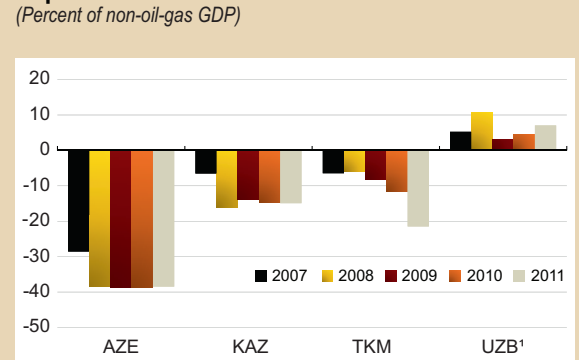


Sources: National authorities; and IMF staff calculations and projections.

Figure 4.4b

Non-Oil-Gas Fiscal Balances in Oil and Gas Exporters

(Percent of non-oil-gas GDP)



Sources: National authorities; and IMF staff calculations and projections.

¹Fiscal balance over GDP is used.

from the civil unrest and crisis-related contraction in the Kyrgyz Republic. Growth is expected to slow but remain strong in Georgia and Tajikistan.

With global fuel and food prices expected to increase by 18 and 15 percent, respectively, in 2011, inflation is projected to pick up to almost 10 percent in 2011, nearly 3 percentage points higher than previously envisaged. Annual CPI inflation is approaching double digits in Azerbaijan and Kazakhstan, and has already passed this threshold in the other CCA countries (except Turkmenistan). Higher commodity prices will result in stronger current account balances in the oil and gas exporting countries, and weaker among the oil and gas importers.

The authorities' announced policies for 2011 point to further fiscal consolidation in Armenia and Georgia in light of relatively constrained fiscal space and signs of self-sustained recovery. In contrast, a widening of the fiscal deficit is expected in the Kyrgyz Republic, where increased spending is intended to address the impact of last year's political crisis; Turkmenistan, where high public investment levels will continue; and Tajikistan²

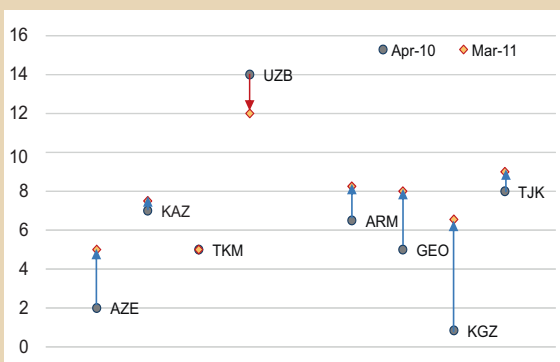
² In Tajikistan, the path of the overall fiscal deficit (5.2 percent of GDP in 2009, 3.0 percent in 2010, and 5.4 percent in 2011) reflects under-execution of the budget in 2010 (lower-than-expected current spending and lower foreign-financed capital expenditure).

(Figure 4.4a). Oil and gas exporting countries, notably Azerbaijan and Kazakhstan, are expected to continue to benefit from rising commodity prices and to improve their overall fiscal positions despite sustained fiscal support to the economy. However, non-oil deficits will remain significantly higher than before the crisis (Figure 4.4b). All CCA countries are facing pressures to respond to the surge of inflation. This may involve increases in public spending ranging from use of strategic grain reserves to targeted transfers, to more generalized subsidies and possible wage and pension hikes. Tax cuts intended to ease food price increases will also contribute to fiscal pressures.

Central banks in the region, which had generally conducted accommodative monetary policies to stimulate credit growth in the wake of the crisis, have mostly started to respond to the surge of headline inflation by increasing policy rates—so far, by 50–550 basis points (Figure 4.5). Although policy rates in some countries have limited operational effectiveness, these rate increases are important signals, and the monetary authorities of Armenia, Azerbaijan, Georgia, and the Kyrgyz Republic have also strengthened reserve and liquidity requirements.

Banking sector balance sheets remain impaired in some CCA countries (Kazakhstan, Kyrgyz

Figure 4.5

Adjustment in Policy Rates, 2010–11*(Policy rate; percent)*

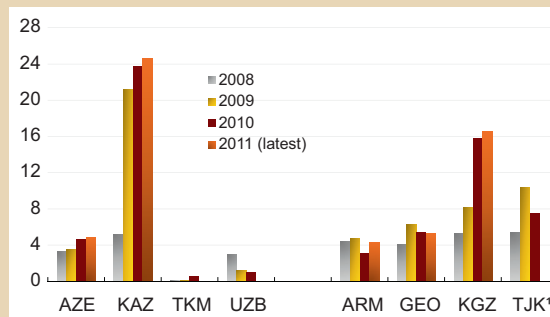
Source: National authorities.

Republic, Tajikistan), requiring continued policy action. Banking sector conditions have improved in Armenia and Georgia—where bank profitability has continued to recover, foreign funding and domestic credit have picked up, and nonperforming loans (NPLs) have declined. Elsewhere, borrowers are struggling to pay back loans, given the decline in demand and depreciation of currencies. In Kazakhstan and the Kyrgyz Republic, the share of NPLs remains particularly high (Figure 4.6). In some CCA countries, private-sector credit growth is negative (Kazakhstan) or sluggish and dependent on central bank support (Tajikistan).

Risks to the Outlook

Risks to the outlook are mixed. Growth could be stronger if the upward movement in oil prices continues, with higher exports and investment. CCA oil and gas importers would face a larger import bill, but would also benefit from higher remittances from Russia. Downside risks are posed by heightened inflation expectations, lingering financial sector problems, and a possible deterioration of the global economy. The sociopolitical environment in the CCA also poses risks, with the possibility of spillovers from the events in the Middle East and North Africa, given the high poverty levels and perceptions of low

Figure 4.6

High and Mostly Rising Levels of Nonperforming Loans*(90-day basis; percent of total loans)*Source: National authorities.
¹30-day basis.

voice and accountability in some countries, and tensions and unresolved conflicts throughout the region (Box 4.1).

Policy Challenges: Achieving Sustainable and Inclusive Growth

In the period immediately ahead, CCA policymakers will need to adapt policies to the evolving situation to maintain macroeconomic stability while protecting the most vulnerable. In doing so, they will need to address several increasingly pressing challenges:

- The surge of inflation with risks of inflationary expectations becoming entrenched.
- An upsurge of social pressures to increase fiscal spending, which may generate threats to macroeconomic stability.
- The poor quality of bank portfolios, which restrains credit growth and effective intermediation.

Over the medium term, sustaining growth, employment creation, and poverty reduction are the main challenges. Progress will depend on reforms to develop adequate social safety nets, increase the role of the private sector, and diversify economies away from natural

Box 4.1

Poverty and the Social Context in the CCA

Although official data do not capture poverty, inequality, and unemployment adequately in all CCA countries, evidence suggests that poverty is still high, especially in Tajikistan, the Kyrgyz Republic, and Uzbekistan. Income inequality, unemployment, and underemployment are also matters of concern throughout the region. Because of the Soviet legacy, human development indicators are better than in other countries at a similar income level; however, they are now deteriorating in some countries.

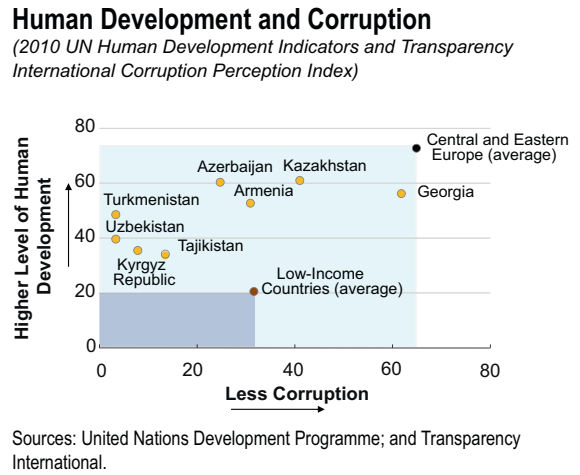
CCA countries employ various forms of social assistance, but in some cases insufficient funding, design challenges, weak administrative capacity, and corruption limit their effectiveness.¹ Governments generally rely heavily on simpler but distortionary and poorly targeted measures, such as entitlement spending and administrative price controls. Therefore, social protection arrangements need to be enhanced to protect the most vulnerable.

Poverty, inequality, and inadequate social protection combined with corruption elevate the risk of social disruption (see Figure). Significant enhancements in governance, transparency, and accountability, and a boost in investment in human development, should help provide employment opportunities, including to the sizable youth population, which in a few years will enter the job market in large numbers (particularly in Central Asia).

Massive migration to Russia helps mitigate unemployment and poverty, but remittances have proven vulnerable to downturns in the cyclical, migrant-employing sectors in Russia. The labor-supplying countries of the region have not “invested” sufficiently in migration infrastructure to enhance benefits in terms of stable employment and, thereby, social protection. Given that the ongoing migration to Russia acts as a safety valve in terms of job opportunities and remittance flows, better skills and language training would benefit the migrating population, and, with other business environment reforms, eventually lead to better prospects at home.

Prepared by Nadeem Ilahi and David Amaglobeli.

¹ Social programs in Georgia and Armenia are better targeted as they use proxy means-testing.



resources. Improving the business environment and achieving greater regional synergies would enhance domestic and regional competitiveness and achieve greater economies of scale. Although CCA countries have made progress over the past decade, they lag behind other emerging market economies—and, in some cases, low-income countries—in transparency, governance, and institutional quality. Further substantial improvements should be an important part of the medium-term agenda.

Is Inflation a Concern?

The run-up of inflation is complicating policymaking and adversely affecting the poor. Food prices are a key driver, as food comprises over 50 percent of consumption baskets in most countries. Fuel price increases are also a factor, and in some countries, demand pressures also appear to be contributing (Box 4.2). In the absence of effective social safety nets, CCA governments are taking (or considering) administrative measures

Box 4.2**What Is Driving Inflation in the CCA?**

Headline inflation increased in 2010 in all countries, mainly following upward pressure on global commodity prices, but in some cases also reflecting other factors.

Global food inflation. The current rise in global food prices has contributed to marked increases in headline inflation throughout the CCA.¹ This reflects high weights on food items in overall CPI baskets, significant dependence on imported food, and a strong link between food prices and inflation expectations (see Table). Adverse weather conditions also affected agricultural production in Armenia, Azerbaijan, and Kazakhstan. Domestic food price inflation, which appears highly correlated with global food inflation, increased from an average of 4 percent year-on-year in June 2010 to 17 percent in January 2011, with the rise most pronounced in Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, and Tajikistan.

Fuel prices. Rising global energy prices are also contributing to inflationary pressures. Fuel and energy shares in CPI baskets range from 1–2 percent in Azerbaijan and Tajikistan to 9–13 percent in Armenia, Georgia, and Kazakhstan. Although various subsidy and price regulation mechanisms limit the direct pass-through of rising global energy prices—mainly in the oil and gas exporting countries—indirect channels, particularly distribution costs and inflation expectations, can quickly transmit external energy price shocks, reinforcing the effects of the food price shock.

Firming recoveries, accommodative policies, and capital inflows. The CCA economies have begun to recover, aided by global conditions and accommodative domestic policies. Although there are few signs of overheating, core inflation has increased in some countries, and strong base money expansion throughout most CCA countries underscores the potential for future inflationary pressures. For now, credit and real income growth generally remain weak, but the region is once again experiencing foreign exchange inflows, with a rebound in remittances to the commodity importers, and oil-price-related FDI and revenue flows to the commodity-exporting countries.

The Role of Food in CCA Inflation

	ARM	AZE	GEO	KAZ	KGZ	TJK	TKM	UZB
Food share in CPI ¹	48	53	39	39	58	58	55	58
Correlation between Global Food Prices and:								
<i>Headline Inflation</i>	0.72	0.79	0.80	0.76	0.75	0.77	0.82	0.69
<i>Food Inflation</i>	0.79	0.81	0.82	0.79	0.81	0.79	0.84	0.68
Net food importer	Yes	Yes	Yes	No	Yes	Yes	Yes	No

Sources: United Nations, Food and Agriculture Organization (FAO) and Comtrade; national authorities; and IMF staff calculations.

¹Parts per 100.

Prepared by Ali Al-Eyd and Niklas Westelius.

¹ The degree of pass-through from import to domestic prices depends on exchange rate movements, the share of imported goods in the consumption basket, domestic market structure, and distribution costs.

to counter price increases and protect the poor. These include actions to limit rises in the price of key staple foods and fuels (Uzbekistan); reduced customs duties on wheat flour (Kyrgyz Republic);

exemptions in value-added tax rates (Azerbaijan, Tajikistan); or activation of strategic reserves, including for grain. In Kazakhstan, memoranda were signed with producers and processors to

control the rise in bread prices. In Georgia, the authorities have not used administrative measures, but instead distributed electricity and food vouchers to households.

In general, it is advisable that countries allow global commodity price increases (which are beyond their control) to pass through into domestic retail prices. Seeking to avoid this adjustment through the use of administrative measures such as export bans, export taxes, and price controls creates market distortions and could give rise to substantial fiscal costs. Given the importance of food in consumption, headline inflation will inevitably rise. The main concern for CCA policymakers is that this rise will contribute to worsening inflation expectations and broadening price pressures, affecting macroeconomic stability and disproportionately hurting the poor. A comprehensive policy response will therefore be needed to effectively address the impact of the food price shock. This would involve:

- *Further tightening monetary policy in response to rising inflation.* Experience suggests that, even though the impact may be delayed and hard to detect, higher commodity prices will eventually have second-round effects in the absence of a proactive policy response. With economic recovery now taking hold throughout the region, it is appropriate to move away from accommodative monetary policies.
- *Improving communication of monetary policy.* Conveying clearly the current and expected causes of inflation and inflation objectives would help moderate expectations.
- *Establishing a prudent fiscal stance.* Enhanced coordination between governments and central banks and guarding against procyclicality will be increasingly important, to ensure that fiscal policy is supportive of price stability. Cautious public wage increases and spending initiatives that are well targeted to supply bottlenecks are crucial to this end.
- *Using administrative measures cautiously.* Where well-targeted social assistance is hard to implement, administrative measures may

provide short-term relief. However, these should be selective, time-bound, and removed as better-targeted instruments are developed. The fiscal cost of these schemes should be transparently disclosed and may need to be offset by savings in other areas in countries where fiscal space is limited.

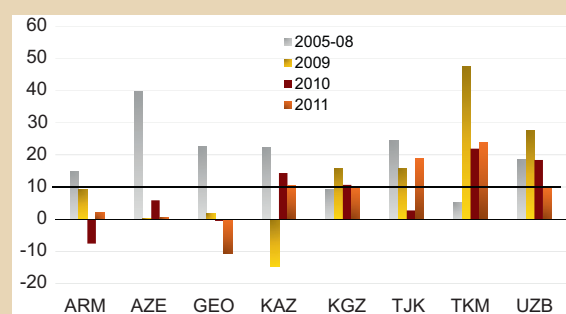
Looking further ahead, structural reforms should be pursued to enhance the resilience of CCA economies and to improve the efficiency of macroeconomic policies, including:

- *Strengthening the monetary transmission mechanism.* Monetary policy effectiveness would be increased by further moving away from fixed or heavily managed exchange rates, enhancing central bank independence, promoting domestic financial market development to reduce dollarization, and encouraging increased competition in the banking sector.
- *Developing better social safety nets.* Safety nets should aim at targeted and cost-effective income support based on cash or near-cash transfer schemes.
- *Enhancing supply responses.* Reforms are needed, particularly in agriculture, to improve competitiveness, labor market flexibility, and productivity.

Resisting Fiscal Pressures, Improving Expenditure Quality

As the recovery has gained momentum and inflationary pressures have emerged, governments are finding it difficult to resist pressures to further raise wages, pensions, and other social payments, particularly in the oil and gas exporting countries, which have ample fiscal space (Figure 4.7). These pressures are also related to political developments—including election cycles. In Kazakhstan and Uzbekistan, for example, public wages are due to increase by a further 25 percent in 2011, and an even larger increase is planned in the Kyrgyz Republic. These wage increases and other

Figure 4.7

Public Spending Growth*(Real terms; percent)*

Sources: National authorities; and IMF staff calculations and projections.

fiscal measures could further fuel inflation and begin to threaten the achievement of fiscal consolidation plans. The challenge for CCA authorities is to move in parallel to improve the efficiency of spending, favoring health, education, and other productive expenditures, and avoiding hard-to-reverse nonessential outlays. Efforts to strengthen non-oil revenue performance will also be important.

Strengthening Bank Balance Sheets

High and rising NPLs have impaired bank financial positions and pose risks to capital adequacy. In Kazakhstan, the Kyrgyz Republic, and Tajikistan, despite ample bank liquidity, banks are unwilling to extend loans, to avoid further risks to their balance sheets. Uncertainties surrounding the stability of funding sources and provisioning needs have increased incentives to maintain cash reserves and restrain lending activity.

Restoring the health of banking systems is therefore a key priority for ensuring credit recovery and efficient intermediation of resources. In the near term, the authorities in CCA countries with problematic bank assets should undertake comprehensive and transparent resolution strategies that include recapitalizing banks and attracting new capital, if needed. At the same time, strengthened risk management practices, legal and

regulatory changes to improve collateral recovery, and increased competition among borrowers and lenders would help prevent a recurrence of the NPL problem. Some countries have already taken action, such as introducing leverage ratios or new prudential reporting standards. Continued recourse to directed lending in some countries (Tajikistan, Turkmenistan, Uzbekistan) remains an important distortion to the functioning of markets. Restructuring of state-owned enterprises and subjecting them to greater financial discipline are longstanding issues.

Following a marked increase at the outset of the crisis, deposit and credit dollarization has declined in most CCA countries, although it is still above levels prevailing prior to the crisis. Risks inherent to dollarization have been addressed by tightening prudential regulations on foreign exchange funding and lending operations in a number of countries in the region, including Armenia, Georgia, and Kazakhstan. Looking ahead, the supervisory authorities should continue to encourage better risk management practices and enhance coordination between the monetary and fiscal authorities to promote the development of local currency money and capital markets.

Regulatory, supervisory, and governance frameworks need to be improved concurrently to address underlying bank vulnerabilities. Across the region, supervisors need enhanced autonomy, independence, and legal protection. Supervisors must have the power to act on the basis of information and inspections, and should not resort to regulatory forbearance, or feel any pressure to do so. In some countries, macroprudential policies should be introduced or strengthened to address potential vulnerabilities, including excessive reliance on foreign funding and risky lending practices.

Improving the Business Climate to Create Job Opportunities

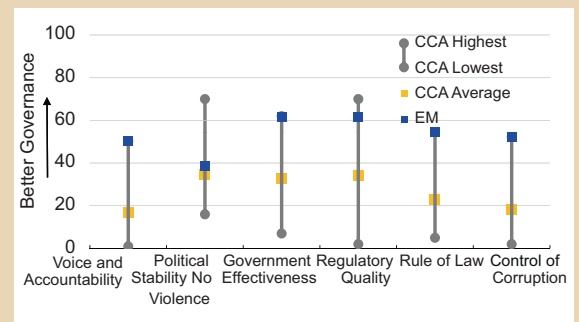
CCA economies depend heavily on commodity exports or remittances, and are vulnerable to their volatility. Non-hydrocarbon exports remain at relatively modest levels throughout the region.

CCA countries generally lack diversified production or export bases, and several rely heavily on remittance inflows linked to construction activity in Russia or Kazakhstan. This has proved to be a fragile source of consumption-led growth.

In this context, sustaining strong, inclusive growth, employment creation, and poverty reduction will depend on invigorated structural reforms to encourage economic diversification and competitiveness. Reforms should help CCA countries move beyond precrisis sources of growth by fostering greater openness and contestability of sectors to new domestic and foreign entrants, and to generate greater activity through enhanced involvement and operations of domestic financial sectors. Improving the business environment and increasing the role of the private sector in the economy are key ingredients in these efforts.

Achieving an investor-friendly environment entails a combination of efforts in several areas. Infrastructure improvements in transportation and telecommunications and a reduction in the role of the state enterprises in the non-oil sector are major challenges throughout the region. In addition, while CCA countries have made some progress over the past decade in strengthening governance and institutions (Figure 4.8), they lag behind other emerging market economies. Less progress has been made in some measures of voice and accountability, rule of law, or control of corruption. Further substantial improvements in transparency,

Figure 4.8

Governance Indicators¹*(World Governance Indicators; normalized rank 0–100)*

Sources: The 2009 World Governance Indicators.

¹EM is the average rank of 19 emerging markets.

governance, and institutions are therefore crucially needed in the CCA, as in other regions in the world. Finally, a pro-employment strategy should also incorporate a boost to investment in human development.

Regional trade links are relatively low, have declined over the past decade, and have been hampered by the high cost of the required infrastructure, as well as regional tensions and conflict. Achieving greater regional synergies and economies of scale within CCA countries would also help enhance competitiveness. This would involve further cooperation among countries, including enhancement of trade across borders in the region, a specific area where CCA countries score relatively poorly in *Doing Business* indicators (Boxes 4.3 and 4.4).

Box 4.3

How Integrated Are CCA Countries?

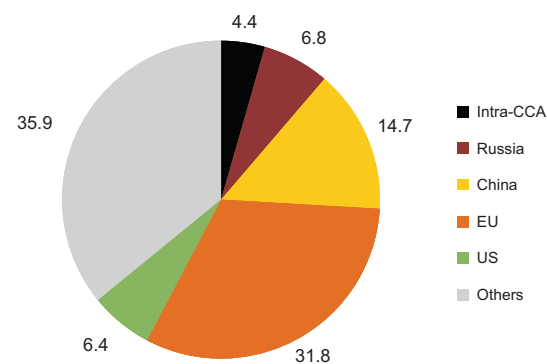
A difficult transition. In the 20-year period since achieving independence, CCA countries have had to move away from the Soviet system, where countries became highly specialized in the production of a few commodities, and trade and financial flows between the republics were centrally planned. Integration was further complicated by shocks (most notably, the Russian financial crisis of 1998) and frictions between countries in the CCA region. These hampered intraregional cooperation by disrupting trade and transportation links and hindering development of labor, energy, and capital markets.

Low intraregional trade despite efforts to liberalize. On an aggregate level, trade among CCA countries appears lower than would be expected on the basis of the size of the economies and their geographical proximity (Figures 1a, 1b). Only about 5 percent of total exports or imports of these countries are destined for (or come from) other CCA countries. Furthermore, this ratio has been on a declining trend. China and the EU are the main destinations for CCA exports, while imports come mainly from China, the EU, and Russia. China is growing rapidly in importance not only for Central Asia, but also for the Caucasus.

Low aggregate numbers for intra-CCA trade are driven to some extent by the region’s two major exporters—Azerbaijan and Kazakhstan. Both primarily export oil. When these two countries are excluded, the share of other CCA countries in exports and imports increases from 5 to a still relatively low 15 percent, and the declining trend is no longer evident. This trade consists primarily of agricultural commodities.

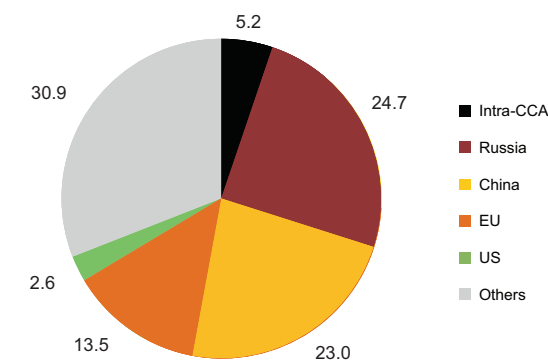
As most CCA countries have substantially reduced traditional tariff and nontariff barriers, the low intraregional trade is surprising. Remaining impediments are mostly institutional. Most CCA countries rank poorly on indicators of trading across borders, such as the number of documents and days needed for export or import procedures. Costs of exporting or importing are higher than in other transition economies (Figure 2).

Figure 1a
CCA Exports, 2010
(Percent of total)



Source: IMF, *Direction of Trade Statistics*.

Figure 1b
CCA Imports, 2010
(Percent of total)



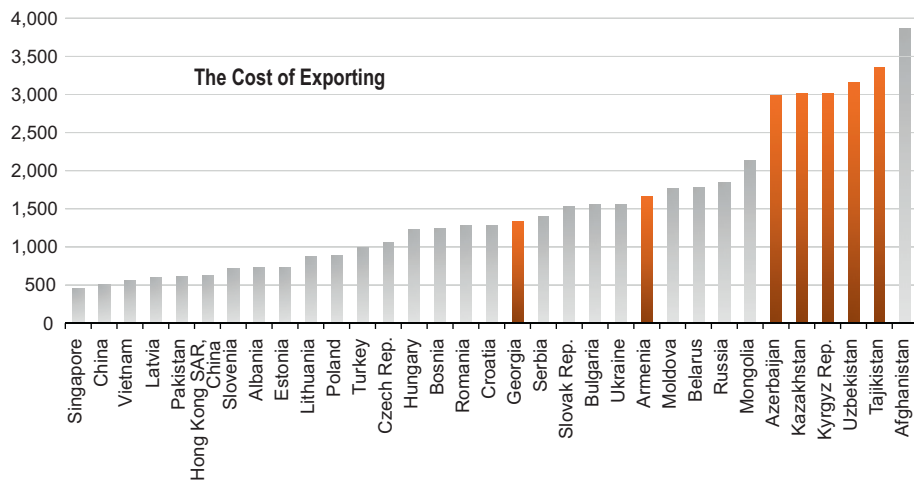
Source: IMF, *Direction of Trade Statistics*.

Prepared by Dmitriy Rozhkov.

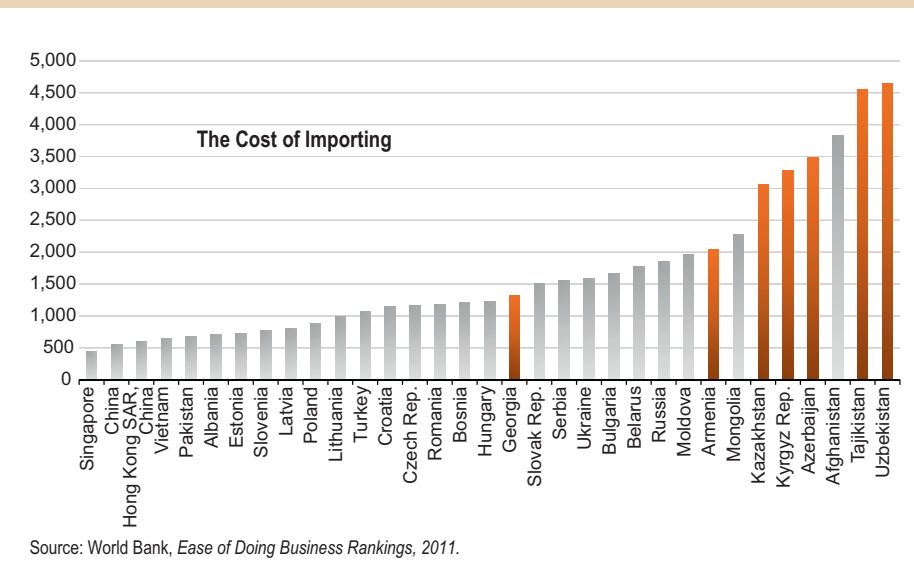
Figure 2

Trading Across Borders

(U.S. dollars per container)



Source: World Bank, *Ease of Doing Business Rankings*, 2011.



Source: World Bank, *Ease of Doing Business Rankings*, 2011.

Efforts are needed to strengthen cooperation. Initiatives to strengthen regional cooperation include projects implemented under the Central Asia Regional Economic Cooperation Program (CAREC) in the areas of energy, transport, and trade facilitation. CAREC also provides member countries with a forum to discuss their trade policies.¹ Still, there are significant, unrealized benefits from regional integration. For example, while foreign companies are often active in several countries of the region—in telecommunications, banking, insurance, construction, and energy—investment flows among CCA countries are negligible. There are only a few examples of banks or other companies from one CCA country being active in another. The degree of country “ownership” of regional projects has also varied. These projects have often been driven by non-CCA countries or multilateral institutions. Improvements in governance and the business environment across the region would help in attracting intra-CCA and other FDI and increasing interest in regional projects.

¹ As discussed in Box 4.4, another example of regional efforts is the Central Asia–China gas pipeline.

Box 4.4**New Pipelines in the Caucasus and Central Asia Region**

The first line of the Central Asia–China gas pipeline began operations at end-2009. The pipeline starts in Turkmenistan and transits Uzbekistan and Kazakhstan (map). With a second, parallel line (opening in 2011), capacity will reach 40 billion cubic meters (bcm) per year. The pipeline currently delivers gas from Turkmenistan, and 2010 volumes were about 4 bcm. Exports from Uzbekistan will come onstream in 2011, and an extension will link in gas supplies in southwestern Kazakhstan. In addition, a new pipeline from Turkmenistan to Iran was opened in early 2010, doubling existing capacity.

The projects promise to have a significant impact on the region:

- *Diversifying export destinations.* Diverse destinations will reduce vulnerability to lower demand from Russia, strengthen Central Asia's ability to negotiate prices in line with global trends, and generate new revenues from transit.
- *Promoting construction and employment.* The projects have contributed to capital inflows and allowed Central Asian countries to cushion the negative effect of the global downturn.
- *Supporting regional cooperation.* The first line of the China pipeline was built and became operational in less than 28 months, providing an important example of cooperation that could be extended to other projects and sectors.
- *Setting the stage for future investments.* Together with an East–West pipeline in Turkmenistan, construction of which commenced in 2010 to connect Turkmenistan's eastern fields with the Caspian and facilitate exports to Europe, the China pipeline may prepare the ground for a possible pipeline from Central Asia to Afghanistan, Pakistan, and India.

Prepared by Svetlana Cerovic.

Central Asia–China Gas Pipeline

Adapted from Wikipedia, http://en.wikipedia.org/wiki/Central_Asia_%E2%80%93_China_gas_pipeline.

Selected Economic Indicators: CCA

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
Real GDP Growth	9.4	13.6	12.3	6.8	3.7	6.6	5.7
<i>(Annual change; percent)</i>							
Armenia	11.2	13.2	13.7	6.9	-14.2	2.6	4.6
Azerbaijan	11.3	34.5	25.0	10.8	9.3	5.0	2.8
Georgia	6.5	9.4	12.3	2.4	-3.8	6.4	5.5
Kazakhstan	10.3	10.7	8.9	3.2	1.2	7.0	5.9
Kyrgyz Republic	4.1	3.1	8.5	7.6	2.9	-1.4	5.0
Tajikistan	9.2	7.0	7.8	7.9	3.9	6.5	5.8
Turkmenistan	16.6	11.0	11.1	14.7	6.1	9.2	9.0
Uzbekistan	5.1	7.5	9.5	9.0	8.1	8.5	7.0
Consumer Price Inflation	9.7	9.3	11.4	16.5	6.2	7.2	10.1
<i>(Year average; percent)</i>							
Armenia	2.6	2.9	4.4	9.0	3.5	8.2	9.3
Azerbaijan	4.1	8.4	16.6	20.8	1.5	5.7	10.3
Georgia	5.5	9.2	9.2	10.0	1.7	7.1	12.6
Kazakhstan	8.2	8.7	10.8	17.1	7.4	7.4	9.1
Kyrgyz Republic	6.5	5.6	10.2	24.5	6.8	7.8	18.8
Tajikistan	19.1	10.0	13.2	20.4	6.5	6.5	13.9
Turkmenistan	8.4	8.2	6.3	14.5	-2.7	4.4	6.1
Uzbekistan	18.0	14.2	12.3	12.7	14.1	9.4	11.6
General Government Fiscal Balance	0.6	4.2	3.1	6.2	0.9	3.4	4.5
<i>(Percent of GDP)</i>							
Armenia ¹	-2.6	-2.0	-2.3	-1.8	-7.8	-4.9	-3.9
Azerbaijan ¹	0.2	-0.2	2.6	20.8	6.8	13.9	16.9
Georgia	-1.1	-3.0	-4.7	-6.3	-9.2	-6.6	-4.0
Kazakhstan	2.4	7.2	4.7	1.1	-1.4	1.3	1.8
Kyrgyz Republic	-5.6	-2.1	-0.3	0.0	-3.6	-6.5	-8.9
Tajikistan	-3.0	1.7	-5.5	-5.1	-5.2	-3.0	-5.4
Turkmenistan ²	1.0	5.3	3.9	10.0	7.8	2.1	1.0
Uzbekistan	-0.6	5.2	5.3	10.7	3.1	4.6	7.0
Current Account Balance	-1.6	3.2	1.6	8.9	0.4	5.7	8.6
<i>(Percent of GDP)</i>							
Armenia	-6.4	-1.8	-6.4	-11.8	-16.0	-13.7	-12.4
Azerbaijan	-12.2	17.6	27.3	35.5	23.6	27.7	28.4
Georgia	-8.0	-15.1	-19.7	-22.6	-11.2	-9.8	-13.0
Kazakhstan	-1.4	-2.5	-8.1	4.6	-3.7	2.5	5.8
Kyrgyz Republic	-0.1	-3.1	-0.2	-8.1	2.0	-7.4	-8.7
Tajikistan	-2.8	-2.8	-8.6	-7.6	-5.9	2.2	-4.1
Turkmenistan	4.1	15.7	15.5	16.5	-16.1	-11.4	-4.7
Uzbekistan	3.8	9.1	7.3	8.7	2.2	6.7	10.0

Sources: National authorities; and IMF staff estimates and projections.

¹Central government.²State government.

Statistical Appendix

The IMF's Middle East and Central Asia Department (MCD) countries and territories 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 MCD countries. Data revisions reflect changes in methodology and/or revisions provided by country authorities.

All data refer to the calendar years, except for the following countries, which refer to the fiscal years: Afghanistan and Iran (March 21/March 20), Qatar (April/March), and Egypt and Pakistan (July/June).

Data in Table 5 relate to the calendar year for all aggregates and countries, except for Iran, for which the Iranian calendar year (beginning on March 21) is used.

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 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 7–13), 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 17 and 19) 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, 14–16, and 18 are sums of the individual country data.

Table 1. Real GDP Growth*(Annual change; percent)*

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	5.2	5.9	6.1	4.7	2.1	3.9	3.9
Oil exporters¹	5.6	5.7	6.2	4.7	0.7	3.5	4.9
Algeria	4.5	2.0	3.0	2.4	2.4	3.3	3.6
Bahrain	6.0	6.7	8.4	6.3	3.1	4.1	3.1
Iran, I.R. of	5.5	5.8	7.8	1.0	0.1	1.0	-0.0
Iraq	...	6.2	1.5	9.5	4.2	0.8	9.6
Kuwait	7.1	5.3	4.5	5.0	-5.2	2.0	5.3
Libya	4.3	6.7	7.5	2.3	-2.3	4.2	...
Oman	3.3	5.5	6.7	12.9	1.1	4.2	4.4
Qatar	8.7	18.6	26.8	25.4	8.6	16.3	20.0
Saudi Arabia	4.0	3.2	2.0	4.2	0.6	3.7	7.5
Sudan	6.4	11.3	10.2	6.8	6.0	5.1	4.7
United Arab Emirates	8.1	8.8	6.5	5.3	-3.2	3.2	3.3
Yemen	4.5	3.2	3.3	3.6	3.9	8.0	3.4
Oil importers	4.4	6.3	6.1	4.8	4.7	4.7	2.3
Afghanistan, Rep. of	...	5.6	13.7	3.6	20.9	8.2	8.0
Djibouti	2.4	4.8	5.1	5.8	5.0	4.5	4.8
Egypt	4.0	6.8	7.1	7.2	4.7	5.1	1.0
Jordan	6.0	7.9	8.5	7.6	2.3	3.1	3.3
Lebanon	3.4	0.6	7.5	9.3	8.5	7.5	2.5
Mauritania	3.7	11.4	1.0	3.5	-1.2	4.7	5.2
Morocco	4.4	7.8	2.7	5.6	4.9	3.2	3.9
Pakistan	4.9	6.1	5.6	1.6	3.4	4.8	2.8
Syrian Arab Republic	3.8	5.0	5.7	4.5	6.0	3.2	3.0
Tunisia	4.4	5.7	6.3	4.5	3.1	3.7	1.3
CCA	9.4	13.6	12.3	6.8	3.7	6.6	5.7
Oil and gas exporters	9.7	14.5	12.6	7.0	4.9	7.1	5.8
Azerbaijan	11.3	34.5	25.0	10.8	9.3	5.0	2.8
Kazakhstan	10.3	10.7	8.9	3.2	1.2	7.0	5.9
Turkmenistan	16.6	11.0	11.1	14.7	6.1	9.2	9.0
Uzbekistan	5.1	7.5	9.5	9.0	8.1	8.5	7.0
Oil and gas importers	7.7	8.8	11.2	5.8	-3.5	4.0	5.2
Armenia	11.2	13.2	13.7	6.9	-14.2	2.6	4.6
Georgia	6.5	9.4	12.3	2.4	-3.8	6.4	5.5
Kyrgyz Republic	4.1	3.1	8.5	7.6	2.9	-1.4	5.0
Tajikistan	9.2	7.0	7.8	7.9	3.9	6.5	5.8
<i>Memorandum</i>							
MENA¹	5.2	5.8	6.2	5.1	1.8	3.8	4.1
GCC	5.5	5.9	5.8	7.2	0.2	5.0	7.8
Maghreb¹	4.4	4.8	4.2	3.5	2.4	3.5	3.3
Mashreq	4.0	6.1	7.0	6.9	5.1	5.0	1.5

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

Table 2. Nominal GDP*(Billions of U.S. dollars)*

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP¹	1,043.5	1,706.8	1,999.4	2,475.3	2,203.8	2,546.0	2,982.7
Oil exporters¹	738.2	1,289.9	1,516.2	1,895.2	1,587.8	1,858.2	2,237.0
Algeria	70.4	117.3	134.3	170.2	139.8	160.3	192.4
Bahrain	9.8	15.8	18.5	22.1	19.3	22.7	26.5
Iran, I.R. of	135.3	222.1	285.9	330.6	321.2	357.2	420.9
Iraq	...	45.1	57.0	86.5	65.2	82.2	108.4
Kuwait	49.8	101.6	114.7	148.8	109.5	131.3	172.8
Libya	33.2	56.5	71.6	88.9	60.2	74.2	...
Oman	22.7	36.8	41.9	60.6	46.9	55.6	66.0
Qatar	25.5	60.5	80.8	110.7	98.3	129.5	194.3
Saudi Arabia	223.7	356.6	385.2	476.9	376.3	443.7	578.6
Sudan	17.9	36.4	46.5	58.0	55.8	68.4	75.1
United Arab Emirates	128.3	222.1	258.2	314.8	270.3	301.9	363.8
Yemen	12.1	19.1	21.7	26.9	25.1	31.3	38.3
Oil importers	305.3	416.9	483.3	580.2	616.0	687.8	745.7
Afghanistan, Rep. of	...	7.1	8.6	10.2	12.5	15.6	18.3
Djibouti	0.6	0.8	0.8	1.0	1.0	1.1	1.2
Egypt	88.7	107.4	130.3	162.4	188.6	218.5	231.1
Jordan	10.2	15.6	17.8	22.7	25.1	27.5	30.0
Lebanon	19.6	22.4	25.1	30.1	34.9	39.2	42.5
Mauritania	1.3	2.7	2.8	3.5	3.0	3.8	4.4
Morocco	46.9	65.6	75.2	88.9	91.4	103.5	100.3
Pakistan	85.0	127.5	143.2	163.9	162.0	174.9	202.8
Syrian Arab Republic	23.2	33.4	40.4	52.6	53.9	59.3	68.3
Tunisia	26.3	34.4	38.9	44.9	43.5	44.3	46.6
CCA	73.4	160.3	211.4	266.5	237.6	284.5	346.5
Oil and gas exporters	62.9	140.5	184.5	231.7	208.6	253.2	311.8
Azerbaijan	7.7	21.0	33.1	46.4	43.1	54.4	72.2
Kazakhstan	32.7	81.0	103.1	135.2	113.6	138.4	168.8
Turkmenistan	10.6	21.4	26.0	21.5	18.5	21.4	27.6
Uzbekistan	11.9	17.0	22.3	28.6	33.5	39.0	43.3
Oil and gas importers	10.5	19.8	26.9	34.8	29.0	31.3	34.6
Armenia	2.9	6.4	9.2	11.7	8.5	9.4	9.9
Georgia	4.2	7.8	10.2	12.9	10.8	11.7	12.9
Kyrgyz Republic	1.8	2.8	3.8	5.1	4.7	4.6	5.1
Tajikistan	1.5	2.8	3.7	5.1	5.0	5.6	6.8
<i>Memorandum</i>							
MENA¹	955.1	1,572.2	1,847.6	2,301.2	2,029.4	2,355.5	2,761.6
GCC	459.7	793.4	899.1	1,134.0	920.6	1,084.6	1,402.0
Maghreb¹	178.2	276.5	322.9	396.4	337.9	386.1	343.7
Mashreq	141.7	178.9	213.6	267.8	302.6	344.6	372.0

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

Table 3. Oil and Non-Oil Real GDP Growth
(Annual change, percent)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
Non-Oil GDP							
MENAP oil exporters¹	5.9	7.3	8.2	5.6	3.2	3.5	3.5
Algeria	4.8	5.6	6.3	5.9	9.3	5.3	5.3
Bahrain	7.8	8.1	9.6	7.2	3.6	4.6	2.7
Iran, I.R. of	5.9	6.2	8.6	1.6	1.1	1.1	-0.2
Iraq	...	7.5	-2.0	5.4	4.0	4.5	5.0
Kuwait	9.7	7.2	9.7	6.1	-1.2	1.8	4.5
Libya	2.8	10.7	14.8	7.9	6.0	7.0	...
Oman	6.0	11.3	13.1	16.1	-0.8	3.0	4.5
Qatar	9.1	23.7	30.6	27.8	9.6	10.0	9.5
Saudi Arabia	4.0	5.1	4.6	4.3	3.7	4.3	5.4
Sudan	5.1	9.7	7.5	8.5	6.4	6.1	5.1
United Arab Emirates	9.6	9.5	9.1	6.3	0.6	2.1	3.3
Yemen	5.2	4.7	5.3	4.8	4.1	4.4	3.8
CCA oil and gas exporters	10.6	11.2	9.9	8.3	2.8	7.1	6.1
Azerbaijan	10.5	12.1	11.3	15.7	3.0	7.6	6.0
Kazakhstan	9.7	10.8	9.1	3.2	0.5	6.6	6.0
Turkmenistan	17.2	11.6	10.7	18.6	14.9	8.7	7.0
Uzbekistan	...	...	...	...	...	...	...
<i>Memorandum</i>							
GCC	6.3	8.0	9.0	8.0	2.9	4.2	5.3
Oil GDP							
MENAP oil exporters¹	5.5	2.6	1.1	1.3	-6.1	3.5	7.2
Algeria	4.1	-2.5	-0.9	-2.3	-6.0	-0.9	0.8
Bahrain	-1.0	-1.0	1.1	0.4	-0.3	0.1	6.2
Iran	2.9	2.7	1.7	-3.7	-9.8	0.0	2.0
Iraq	...	5.3	4.0	12.3	4.3	-1.5	12.8
Kuwait	4.5	2.8	-2.6	3.3	-11.4	2.2	6.6
Libya	5.6	4.3	2.8	-1.6	-8.9	1.6	...
Oman	0.6	-2.5	-3.6	6.8	4.9	6.5	4.1
Qatar	8.4	14.3	23.3	23.1	7.7	22.7	29.5
Saudi Arabia	4.3	-0.8	-3.6	4.2	-6.7	2.3	13.3
Sudan	49.7	26.5	33.0	-4.4	2.6	-3.0	1.1
United Arab Emirates	3.9	6.5	-2.7	1.6	-9.6	5.3	3.4
Yemen	0.8	-8.3	-13.1	-8.1	1.6	51.0	-0.3
CCA oil and gas exporters	15.9	22.0	15.4	3.6	4.7	9.1	6.2
Azerbaijan	13.2	62.0	37.3	6.9	14.8	4.9	-0.3
Kazakhstan	16.3	9.9	6.9	2.8	7.1	10.2	5.5
Turkmenistan	17.4	8.6	12.6	-0.7	-35.4	13.5	25.0
Uzbekistan	...	...	...	...	...	...	...
<i>Memorandum</i>							
GCC	4.1	2.1	-0.9	5.5	-5.4	5.5	12.1

Sources: National authorities; and IMF staff estimates and projections.
¹2011 data exclude Libya.

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

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
Production							
MENAP oil exporters¹	22.0	26.0	25.8	26.3	24.3	24.7	25.0
Algeria	1.1	1.4	1.4	1.3	1.3	1.2	1.3
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Iran, I.R. of	3.7	4.0	4.1	3.9	3.6	3.6	3.6
Iraq	...	2.0	2.0	2.3	2.4	2.4	2.7
Kuwait	2.1	2.6	2.6	2.7	2.3	2.3	2.5
Libya	1.5	1.8	1.8	1.8	1.6	1.6	...
Oman	0.9	0.7	0.7	0.8	0.8	0.9	0.9
Qatar	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Saudi Arabia	8.3	9.2	8.8	9.2	8.4	8.6	9.9
Sudan	0.2	0.4	0.5	0.5	0.5	0.5	0.5
United Arab Emirates	2.2	2.6	2.5	2.6	2.3	2.4	2.5
Yemen	0.4	0.4	0.3	0.3	0.3	0.3	0.3
CCA oil and gas exporters	1.5	2.2	2.4	2.5	2.7	2.9	3.0
Azerbaijan	0.3	0.6	0.8	0.9	1.0	1.0	1.0
Kazakhstan	1.0	1.3	1.4	1.5	1.6	1.7	1.8
Turkmenistan	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Uzbekistan	...	...	...	...	...	...	...
<i>Memorandum</i>							
GCC	14.4	16.2	15.7	16.2	14.8	15.2	16.7
Exports²							
MENAP oil exporters¹	16.1	19.5	19.6	20.1	17.8	17.9	18.2
Algeria	0.7	0.9	0.9	0.8	0.7	0.7	0.7
Bahrain	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Iran	2.4	2.4	2.5	2.4	2.1	2.0	2.0
Iraq	...	1.4	1.6	1.8	1.9	1.9	2.1
Kuwait	1.3	1.7	1.7	1.8	1.4	1.4	1.5
Libya	1.1	1.4	1.5	1.4	1.2	1.2	...
Oman	0.8	0.6	0.6	0.6	0.7	0.7	0.7
Qatar	0.7	0.7	0.8	0.8	0.7	0.7	0.7
Saudi Arabia	6.4	7.0	7.0	7.3	6.3	6.4	7.5
Sudan	0.2	0.2	0.4	0.4	0.4	0.4	0.4
United Arab Emirates	2.0	2.4	2.3	2.4	2.1	2.1	2.2
Yemen	0.3	0.3	0.2	0.2	0.2	0.2	0.2
CCA oil and gas exporters	1.1	1.7	2.0	2.1	2.3	2.5	2.6
Azerbaijan	0.2	0.6	0.7	0.8	0.9	0.9	0.9
Kazakhstan	0.9	1.1	1.2	1.2	1.4	1.5	1.6
Turkmenistan	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Uzbekistan	...	...	...	...	...	...	...
<i>Memorandum</i>							
GCC	11.4	12.7	12.5	13.0	11.2	11.5	12.7

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Excluding exports of refined oil products.

Table 5. Consumer Price Inflation
(Year average; percent)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	5.2	8.2	9.8	14.3	7.6	7.5	10.8
Oil exporters¹	5.9	8.8	11.2	14.8	5.8	6.8	10.9
Algeria	2.3	2.3	3.6	4.9	5.7	4.3	5.0
Bahrain	0.7	2.0	3.3	3.5	2.8	2.0	3.0
Iran, I.R. of	13.5	11.9	18.4	25.4	10.8	12.5	22.5
Iraq	19.8	53.2	30.8	2.7	-2.8	5.1	5.0
Kuwait	1.7	3.1	5.5	10.6	4.0	4.1	6.1
Libya	-3.3	1.4	6.2	10.4	2.8	2.4	...
Oman	0.1	3.4	5.9	12.6	3.5	3.3	3.5
Qatar	3.5	11.8	13.8	15.0	-4.9	-2.4	4.2
Saudi Arabia	-0.1	2.3	4.1	9.9	5.1	5.4	6.0
Sudan	7.6	7.2	8.0	14.3	11.3	13.0	9.0
United Arab Emirates	3.6	9.3	11.1	12.3	1.6	0.9	4.5
Yemen	11.6	10.8	7.9	19.0	3.7	12.1	13.0
Oil importers	3.9	7.1	7.0	13.3	11.1	8.8	10.7
Afghanistan, Rep. of	...	7.2	8.6	30.5	-8.3	0.9	14.2
Djibouti	2.0	3.5	5.0	12.0	1.7	4.0	4.6
Egypt	4.7	7.6	9.5	18.3	11.7	11.6	11.8
Jordan	2.1	6.3	4.7	13.9	-0.7	5.0	6.1
Lebanon	0.5	5.6	4.1	10.8	1.2	4.5	6.5
Mauritania	7.9	6.2	7.3	7.3	2.2	6.1	7.3
Morocco	1.5	3.3	2.0	3.9	1.0	1.0	2.9
Pakistan	4.6	7.9	7.8	12.0	20.8	11.7	15.5
Syrian Arab Republic	2.7	10.4	4.7	15.2	2.8	4.4	6.0
Tunisia	2.7	4.1	3.4	4.9	3.5	4.4	4.0
CCA	9.7	9.3	11.4	16.5	6.2	7.2	10.1
Oil and gas exporters	10.0	9.7	11.9	16.8	6.6	7.2	9.6
Azerbaijan	4.1	8.4	16.6	20.8	1.5	5.7	10.3
Kazakhstan	8.2	8.7	10.8	17.1	7.4	7.4	9.1
Turkmenistan	8.4	8.2	6.3	14.5	-2.7	4.4	6.1
Uzbekistan	18.0	14.2	12.3	12.7	14.1	9.4	11.6
Oil and gas importers	7.8	6.9	8.8	14.4	4.2	7.4	13.2
Armenia	2.6	2.9	4.4	9.0	3.5	8.2	9.3
Georgia	5.5	9.2	9.2	10.0	1.7	7.1	12.6
Kyrgyz Republic	6.5	5.6	10.2	24.5	6.8	7.8	18.8
Tajikistan	19.1	10.0	13.2	20.4	6.5	6.5	13.9
<i>Memorandum</i>							
MENA¹	5.3	8.3	10.0	14.5	6.1	7.0	10.2
GCC	1.1	4.6	6.6	11.0	3.0	3.2	5.3
Maghreb¹	1.4	2.8	3.6	5.5	3.7	3.2	4.2
Mashreq	3.9	7.8	8.0	17.0	8.9	9.6	10.2

Sources: National authorities; and IMF staff estimates and projections.
¹2011 data exclude Libya.

Table 6. Broad Money Growth*(Annual change; percent)*

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP¹	15.8	21.7	25.1	18.5	12.4	9.9	13.4
Oil exporters¹	17.2	24.8	28.0	19.5	13.2	9.5	15.2
Algeria	14.8	18.6	24.1	16.1	3.1	14.3	14.1
Bahrain	10.4	14.9	40.8	18.4	5.8	11.1	7.7
Iran, I.R. of	30.7	39.2	28.6	16.6	21.7	10.4	24.8
Iraq	...	34.6	37.3	35.4	26.7	18.2	35.1
Kuwait	9.3	21.7	19.3	15.6	13.4	2.2	10.7
Libya	9.7	15.0	37.3	47.3	11.1	10.0	...
Oman	8.0	24.9	37.2	23.1	4.7	11.3	10.0
Qatar	20.3	38.0	39.5	19.7	16.9	21.3	10.2
Saudi Arabia	10.8	19.3	19.6	17.6	10.7	5.0	11.8
Sudan	32.4	27.4	10.3	16.3	23.5	25.4	16.2
United Arab Emirates	19.9	23.2	41.7	19.2	9.8	6.2	9.6
Yemen	19.6	27.7	16.8	13.7	10.6	9.2	18.0
Oil importers	12.8	13.8	16.6	15.2	9.8	10.9	8.5
Afghanistan, Rep. of	...	22.3	14.4	64.9	17.1	19.7	16.0
Djibouti	11.2	10.2	9.6	20.6	17.5	12.2	4.8
Egypt	13.3	13.4	18.3	15.5	8.4	10.4	5.4
Jordan	10.7	14.1	10.6	17.3	9.3	11.5	8.9
Lebanon ²	9.1	6.4	10.9	15.5	23.2	12.4	8.0
Mauritania	21.9	15.7	18.9	13.7	15.2	11.0	14.3
Morocco	9.3	17.8	17.0	9.9	5.5	7.7	7.8
Pakistan	15.1	14.9	19.3	15.3	9.6	12.5	11.9
Syrian Arab Republic	16.8	9.2	12.4	12.5	9.3	10.5	9.1
Tunisia	9.6	11.4	12.5	14.4	13.0	11.1	6.9
CCA	36.1	65.3	43.5	36.8	16.5	23.5	21.9
Oil and gas exporters	37.4	69.0	42.6	41.3	16.5	23.9	22.7
Azerbaijan	28.8	86.4	72.4	44.0	-0.3	24.3	26.0
Kazakhstan	40.7	78.1	25.9	35.4	17.9	14.6	18.4
Turkmenistan	32.4	55.9	72.2	62.8	10.9	36.1	31.2
Uzbekistan	41.0	37.8	46.9	38.7	40.8	52.4	29.0
Oil and gas importers	28.4	43.1	49.2	6.2	16.7	21.2	16.3
Armenia	22.9	32.9	42.3	2.4	16.4	10.6	13.8
Georgia	27.9	39.3	49.6	7.0	8.1	28.5	16.0
Kyrgyz Republic	22.1	51.6	33.3	12.6	17.9	21.1	15.3
Tajikistan	48.0	63.4	78.8	6.3	38.9	25.7	22.4
<i>Memorandum</i>							
MENA¹	15.9	22.3	25.6	18.5	12.6	9.6	13.5
GCC	13.4	22.0	28.3	18.3	11.0	7.0	10.7
Maghreb¹	11.2	16.7	23.2	20.8	6.7	11.4	11.0
Mashreq	13.0	11.7	15.5	15.1	10.4	10.7	6.6

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.²Broad money (M5) is defined to include nonresident deposits.

Table 7. General Government Fiscal Balance
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	2.3	7.1	5.2	6.7	-3.6	-0.2	2.4
Oil exporters¹	5.8	13.2	10.3	12.9	-2.7	3.0	7.5
Algeria	6.6	13.5	4.4	7.7	-6.8	-2.7	5.0
Bahrain ²	1.4	2.7	1.9	4.9	-6.6	-7.8	1.6
Iran, I.R. of	2.0	0.0	2.4	-0.2	-1.9	0.6	4.0
Iraq	...	15.5	12.4	-1.2	-21.8	-10.8	-4.4
Kuwait ²	27.2	35.4	39.8	19.8	23.5	17.4	22.3
Libya	12.6	33.1	28.6	30.3	7.0	9.2	...
Oman ²	8.4	13.8	11.1	13.8	-1.2	6.2	14.2
Qatar	8.8	8.6	10.8	10.3	15.2	12.8	13.8
Saudi Arabia	7.7	24.6	15.8	34.4	-4.7	7.7	12.8
Sudan	-0.6	-4.3	-5.4	-1.4	-4.6	-1.9	-0.2
United Arab Emirates ³	4.5	18.1	15.4	16.5	-12.6	-1.3	6.5
Yemen	0.0	1.2	-7.2	-4.5	-10.2	-4.0	-6.4
Oil importers	-5.3	-4.7	-4.8	-5.4	-5.2	-6.0	-6.8
Afghanistan, Rep. of	...	-3.1	-2.1	-4.3	-1.4	-0.1	-0.6
Djibouti	-1.8	-2.4	-2.6	1.3	-4.6	-0.5	-0.1
Egypt ²	-9.9	-8.2	-7.3	-6.8	-6.9	-8.1	-9.7
Jordan	-3.1	-3.4	-5.5	-5.4	-8.5	-5.4	-6.8
Lebanon ²	-15.3	-10.4	-10.8	-9.5	-8.2	-7.2	-10.5
Mauritania ^{2,4}	-6.6	35.8	-1.6	-6.5	-5.1	-0.4	-1.7
Morocco ²	-5.2	-1.8	0.3	1.5	-2.1	-4.2	-4.9
Pakistan	-2.7	-3.7	-4.0	-7.3	-5.2	-6.0	-5.0
Syrian Arab Republic	-2.1	-1.1	-4.0	-2.9	-2.9	-4.8	-6.8
Tunisia	-2.6	-2.9	-2.8	-0.7	-2.6	-1.2	-4.3
CCA	0.6	4.2	3.1	6.2	0.9	3.4	4.5
Oil and gas exporters	1.3	5.3	4.3	8.0	2.2	4.9	6.1
Azerbaijan ²	0.2	-0.2	2.6	20.8	6.8	13.9	16.9
Kazakhstan	2.4	7.2	4.7	1.1	-1.4	1.3	1.8
Turkmenistan ⁵	1.0	5.3	3.9	10.0	7.8	2.1	1.0
Uzbekistan	-0.6	5.2	5.3	10.7	3.1	4.6	7.0
Oil and gas importers	-2.8	-1.6	-3.4	-3.6	-6.9	-5.3	-5.2
Armenia ²	-2.6	-2.0	-2.3	-1.8	-7.8	-4.9	-3.9
Georgia	-1.1	-3.0	-4.7	-6.3	-9.2	-6.6	-4.0
Kyrgyz Republic	-5.6	-2.1	-0.3	0.0	-3.6	-6.5	-8.9
Tajikistan	-3.0	1.7	-5.5	-5.1	-5.2	-3.0	-5.4
<i>Memorandum</i>							
MENA¹	3.0	8.6	6.4	8.6	-3.4	0.6	3.3
GCC	9.3	22.4	17.5	24.7	-0.8	7.2	12.6
Maghreb¹	3.1	10.4	6.0	8.2	-2.9	-0.9	0.1
Mashreq	-8.7	-7.0	-7.0	-6.4	-6.5	-7.4	-9.2

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Central government.

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

⁴Includes oil revenue transferred to the oil fund.

⁵State government.

Table 8. General Government Total Revenue, Excluding Grants
(Percent of GDP)

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP¹	30.1	36.0	34.9	37.2	31.3	32.0	33.3
Oil exporters¹	35.3	43.6	41.9	45.2	36.2	38.4	40.7
Algeria	37.0	42.7	39.6	47.2	36.3	38.9	42.2
Bahrain ²	31.7	30.4	28.8	32.0	23.4	24.0	27.9
Iran, I.R. of	24.3	29.9	30.7	27.0	25.8	27.3	29.5
Iraq	...	74.5	78.9	76.7	68.7	67.3	71.4
Kuwait ²	63.9	67.3	69.7	59.8	65.5	59.7	58.9
Libya	48.6	64.1	66.0	70.1	59.3	59.7	...
Oman ²	46.7	48.8	45.4	46.3	39.9	41.6	48.6
Qatar	40.3	39.1	40.1	35.0	47.3	41.0	35.6
Saudi Arabia	44.0	56.6	50.4	66.0	41.1	48.5	54.1
Sudan	15.4	20.5	20.0	21.3	14.8	15.1	17.7
United Arab Emirates ³	24.8	33.7	33.1	38.6	25.3	28.4	33.5
Yemen	32.8	38.2	32.8	36.5	24.6	24.6	24.6
Oil importers	19.2	20.9	21.2	21.6	22.0	20.1	19.7
Afghanistan, Rep. of	...	8.2	7.8	8.0	10.3	11.1	11.4
Djibouti	26.4	31.1	30.2	28.8	30.6	30.0	30.4
Egypt ²	20.0	24.1	23.7	24.6	26.3	21.9	21.5
Jordan	25.6	28.1	28.4	24.7	23.3	21.7	21.1
Lebanon ²	20.5	22.1	22.7	22.8	24.0	21.2	21.4
Mauritania ^{2,4}	28.9	29.4	25.8	23.4	24.7	24.1	21.5
Morocco ²	22.6	25.1	27.4	29.7	25.9	25.3	24.9
Pakistan	13.9	14.1	15.0	14.6	14.5	14.2	13.5
Syrian Arab Republic	27.3	25.5	22.7	20.1	23.9	22.0	20.9
Tunisia	26.8	26.5	27.4	29.6	29.0	29.5	30.9
CCA	24.9	27.3	28.5	33.2	28.8	30.9	31.1
Oil and gas exporters	26.3	28.3	29.3	34.9	29.7	32.1	32.3
Azerbaijan ²	24.2	28.0	28.2	51.1	41.6	44.4	43.4
Kazakhstan	24.6	27.5	29.3	27.9	22.5	25.4	25.9
Turkmenistan ⁵	21.2	20.2	17.3	20.9	22.4	18.2	17.5
Uzbekistan	33.1	34.1	35.4	40.5	36.3	40.1	41.8
Oil and gas importers	17.8	21.9	24.3	24.0	23.8	23.8	23.9
Armenia ²	15.6	17.5	19.3	20.1	20.4	20.1	20.4
Georgia ⁶	18.2	25.5	28.7	27.5	27.1	25.9	25.6
Kyrgyz Republic	21.1	25.6	28.1	28.0	27.1	28.8	29.6
Tajikistan	16.5	18.9	20.5	20.5	20.0	20.9	20.7
<i>Memorandum</i>							
MENA¹	32.5	38.9	37.7	40.2	33.6	34.5	36.0
GCC	42.2	50.9	47.4	54.6	40.8	43.9	47.3
Maghreb¹	33.5	38.9	38.7	43.3	35.8	37.0	34.6
Mashreq	21.5	24.4	23.7	23.7	25.6	21.8	21.4

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Central government.

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

⁴Includes oil revenue transferred to the oil fund.

⁵State government.

⁶Revised for 2002–04 to include extrabudgetary revenues.

Table 9. Oil Exporters: General Government Non-Oil Fiscal Balance
(Percent of non-oil GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP oil exporters¹	-33.2	-39.6	-42.0	-50.0	-48.4	-48.8	-50.7
Algeria	-31.5	-35.6	-45.7	-54.1	-45.4	-45.7	-46.0
Bahrain ²	-29.0	-28.4	-28.7	-31.7	-34.4	-38.3	-33.8
Iran, I.R. of	-18.9	-28.2	-26.2	-23.6	-19.1	-19.0	-19.0
Iraq	...	-101.0	-126.0	-215.0	-166.0	-167.0	-187.1
Kuwait ²	-35.9	-30.3	-27.1	-72.6	-60.1	-69.9	-70.1
Libya	-76.1	-135.3	-146.5	-167.0	-140.5	-150.9	...
Oman ²	-57.7	-63.4	-53.8	-63.6	-60.2	-63.2	-76.2
Qatar	-45.6	-40.6	-30.7	-20.4	-14.7	-25.2	-25.3
Saudi Arabia	-40.9	-44.8	-51.2	-52.2	-67.8	-65.6	-81.7
Sudan	-9.5	-18.5	-20.9	-20.1	-13.6	-11.5	-13.4
United Arab Emirates ³	-18.6	-13.5	-14.0	-23.5	-42.3	-34.7	-35.1
Yemen	-35.4	-42.6	-43.1	-46.3	-31.3	-30.0	-34.4
CCA oil and gas exporters	-7.2	-10.9	-12.2	-21.0	-20.4	-21.2	-22.1
Azerbaijan ²	-12.2	-31.2	-28.6	-38.4	-38.7	-38.8	-38.5
Kazakhstan	-5.5	-4.2	-6.5	-16.0	-14.0	-14.7	-14.9
Turkmenistan ⁴	-10.0	-7.4	-6.5	-6.0	-8.3	-11.6	-21.5
Uzbekistan	...	...	...	...	...	...	...
<i>Memorandum</i>							
GCC	-37.0	-37.0	-38.5	-45.8	-54.9	-54.4	-62.6

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Central government.

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

⁴State government.

Table 10. Oil Exporters: General Government Non-Oil Revenue
(Percent of non-oil GDP)

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP oil exporters¹	16.1	18.7	18.9	18.8	17.5	16.9	16.9
Algeria	17.1	18.1	17.1	18.4	18.5	19.8	20.1
Bahrain ²	11.1	9.0	7.1	6.1	4.7	4.1	4.3
Iran, I.R. of	9.9	12.4	12.5	12.0	14.9	14.4	13.7
Iraq	...	7.8	13.1	12.5	15.5	12.4	14.9
Kuwait ²	35.0	47.0	39.7	30.2	19.7	19.0	19.8
Libya	20.7	25.2	29.5	33.7	19.8	21.4	...
Oman ²	14.2	14.9	16.5	13.6	16.1	13.8	13.8
Qatar	29.5	34.0	37.0	32.4	44.8	39.9	42.1
Saudi Arabia	22.3	24.6	25.1	27.8	19.5	18.4	18.0
Sudan	8.4	11.3	10.3	9.0	8.4	8.8	9.1
United Arab Emirates ³	9.3	11.4	12.7	11.7	10.9	10.4	10.2
Yemen	13.1	14.3	14.8	12.4	12.6	12.3	13.0
CCA oil and gas exporters	24.2	24.4	26.1	22.5	19.7	20.0	19.8
Azerbaijan ²	23.9	29.9	29.7	27.7	26.8	24.0	21.5
Kazakhstan	25.6	24.4	26.9	21.8	17.1	18.7	19.8
Turkmenistan ⁴	14.6	12.1	11.6	13.4	15.6	17.2	15.4
Uzbekistan	...	...	...	...	...	...	...
<i>Memorandum</i>							
GCC	20.9	24.4	24.4	23.9	20.0	18.8	19.4

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Central government.

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

⁴State government.

Table 11. General Government Total Expenditure and Net Lending
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	28.4	29.5	30.2	30.8	35.2	32.5	31.2
Oil exporters¹	29.8	31.0	31.9	32.4	39.1	35.6	33.4
Algeria ²	30.5	29.2	35.2	39.5	43.1	41.6	37.2
Bahrain ³	31.1	28.2	27.5	27.4	30.4	32.1	28.6
Iran, I.R. of	22.3	29.8	28.3	27.2	27.8	26.7	25.5
Iraq	...	72.7	71.9	80.6	93.6	79.8	76.9
Kuwait ³	36.7	31.9	30.0	40.0	42.0	42.3	36.7
Libya	36.0	31.0	37.4	39.8	52.3	50.5	...
Oman ³	38.3	34.8	36.4	32.4	41.2	35.3	34.4
Qatar	31.5	30.5	29.3	24.6	32.0	28.2	21.8
Saudi Arabia	36.4	32.0	34.6	31.6	45.7	40.8	41.3
Sudan	16.0	25.2	26.0	23.2	20.0	17.6	18.5
United Arab Emirates ⁴	20.3	15.6	17.7	22.2	37.8	29.7	27.0
Yemen	33.2	37.4	40.3	41.2	35.2	29.9	32.1
Oil importers	25.6	26.6	26.7	27.6	27.9	26.7	27.3
Afghanistan, Rep. of	...	21.5	22.2	22.3	22.0	23.5	25.6
Djibouti	34.3	37.4	37.7	40.6	41.6	35.8	36.3
Egypt ³	29.4	32.6	31.5	31.5	34.0	30.3	31.7
Jordan	35.6	34.5	36.6	34.5	33.6	29.2	30.0
Lebanon ³	35.9	35.5	34.9	33.2	32.5	28.7	32.1
Mauritania	37.0	28.5	29.6	30.7	30.6	25.8	24.8
Morocco ^{3,5}	28.1	27.4	27.5	29.6	28.5	29.9	30.2
Pakistan	17.7	18.4	19.3	22.2	19.9	20.5	18.8
Syrian Arab Republic	29.3	26.6	26.7	23.0	26.8	26.9	27.7
Tunisia	29.6	29.4	30.2	30.7	32.0	30.8	35.6
CCA	24.6	23.3	25.7	27.4	28.5	27.7	27.0
Oil and gas exporters	25.3	22.9	25.1	27.1	27.6	27.1	26.3
Azerbaijan ^{3,6}	24.0	27.4	25.9	31.1	34.8	30.8	26.5
Kazakhstan	22.3	20.2	24.6	26.9	23.9	24.1	24.1
Turkmenistan ⁷	20.2	14.9	13.4	10.9	14.7	16.1	16.4
Uzbekistan	34.5	29.2	30.3	30.0	33.6	34.5	35.2
Oil and gas importers	21.5	25.5	29.2	29.6	34.3	31.3	31.5
Armenia ^{3,6}	19.9	20.6	23.2	23.0	32.4	26.5	27.0
Georgia	19.9	29.7	34.0	37.0	38.4	34.8	30.9
Kyrgyz Republic	27.7	28.9	31.1	29.2	36.1	38.1	43.1
Tajikistan	19.9	21.9	28.0	27.2	28.6	26.1	28.3
<i>Memorandum</i>							
MENA¹	29.8	31.0	31.6	31.9	37.3	34.1	32.8
GCC	33.0	28.6	30.0	29.9	41.6	36.8	34.7
Maghreb¹	30.6	29.1	32.8	35.5	38.8	38.1	34.6
Mashreq	30.2	32.0	31.3	30.5	32.8	29.6	31.0

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Including special accounts.

³Central government.

⁴Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

⁵Net lending includes balance on special treasury accounts.

⁶Expenditures do not include statistical discrepancy.

⁷State government.

Table 12. Total Government Gross Debt
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	62.6	45.0	39.0	33.6	37.2	33.9	30.9
Oil exporters¹	48.5	30.0	23.9	18.1	23.4	19.1	14.1
Algeria	49.0	23.6	12.5	8.2	10.4	10.2	10.1
Bahrain ²	31.9	23.6	19.2	14.6	25.4	32.0	24.8
Iran, I.R. of	23.5	19.7	17.9	13.8	14.0	12.0	9.5
Iraq	...	219.6	181.0	110.5	143.1	112.3	38.9
Kuwait ²	25.2	8.3	6.7	5.6	7.0	5.8	4.5
Libya	23.4	0.9	0.0	0.0	0.0	0.0	...
Oman ²	18.3	9.6	7.5	5.1	8.0	5.9	4.1
Qatar	41.6	13.1	8.8	8.9	28.7	20.0	13.7
Saudi Arabia	77.3	27.3	18.5	13.2	16.0	10.8	8.3
Sudan	145.8	89.3	82.3	69.8	78.9	68.0	63.4
United Arab Emirates ³	4.3	6.8	7.8	12.5	22.5	21.0	16.4
Yemen	55.4	40.8	40.4	36.4	49.9	40.6	42.0
Oil importers	89.3	74.9	69.1	64.5	63.7	62.3	61.9
Afghanistan, Rep. of	...	...	...	...	...	...	...
Djibouti	32.7	56.8	63.6	60.2	59.7	58.3	57.2
Egypt	100.0	98.8	87.1	74.7	75.6	73.8	74.9
Jordan	96.7	73.5	71.1	58.4	61.8	61.4	62.8
Lebanon ²	162.3	179.9	167.7	156.3	146.4	136.7	133.8
Mauritania ⁴	209.1	86.8	96.8	90.4	111.4	85.6	51.3
Morocco ²	66.6	59.4	54.6	48.2	47.7	49.9	52.8
Pakistan	76.5	56.4	54.6	58.7	57.3	56.8	54.1
Syrian Arab Republic	109.9	48.5	44.1	38.2	31.2	27.5	24.3
Tunisia	62.2	48.8	45.9	43.3	42.9	40.4	42.8
CCA	30.7	13.9	11.3	10.9	14.8	15.1	16.8
Oil and gas exporters	23.5	10.0	8.1	7.7	10.2	10.6	12.2
Azerbaijan ²	20.9	10.2	8.6	7.3	12.1	10.8	10.7
Kazakhstan	16.3	6.7	5.9	6.7	10.4	11.4	12.6
Turkmenistan ⁵	19.5	3.3	2.4	2.8	2.7	7.4	16.2
Uzbekistan	43.5	21.3	15.8	12.8	11.0	10.0	11.3
Oil and gas importers	66.3	34.8	28.9	28.6	42.0	42.9	44.8
Armenia ²	40.0	18.7	16.1	16.2	40.6	39.4	45.6
Georgia	55.9	27.3	21.5	27.6	37.3	39.1	41.7
Kyrgyz Republic	103.7	72.5	56.8	48.5	58.0	62.6	59.5
Tajikistan	76.0	35.8	35.2	30.2	36.6	36.7	36.5
<i>Memorandum</i>							
MENA¹	60.8	43.5	37.0	30.5	34.6	31.1	27.9
GCC	50.6	18.7	13.4	11.3	17.4	13.5	10.3
Maghreb¹	53.3	33.7	27.1	23.6	24.8	24.3	29.8
Mashreq	106.5	95.9	86.0	74.8	74.1	71.6	71.7

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Central government.

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

⁴Includes oil revenue transferred to the oil fund, as well as public enterprises and central bank debts.

⁵State government.

Table 13. Selected MENAP Countries: Total Government Net Debt
(Percent of GDP)

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP^{1,2}	25.3	19.0	15.8	13.0	15.2	13.9	16.7
Oil exporters^{1,2}	-9.0	-3.8	-6.4	-10.0	-8.2	-8.0	-4.4
Iran, I.R. of	-10.5	-4.2	-0.5	0.6	1.5	-0.3	5.3
Iraq	415.0	219.6	181.0	110.5	143.1	112.3	38.9
Libya	-18.5	-81.0	-82.8	-73.1	-108.4	-94.9	...
Oman ³	-27.7	-32.7	-36.2	-29.5	-39.9	-36.2	-33.8
Qatar	35.6	9.3	5.0	5.5	24.1	16.5	10.6
United Arab Emirates ⁴	-84.7	-77.6	-83.2	-85.9	-85.4	-76.2	-71.3
Yemen	49.3	33.0	35.2	31.4	43.7	36.6	38.7
Oil importers²	78.5	57.8	54.6	53.6	52.6	51.9	51.0
Jordan	92.1	66.0	64.6	53.1	56.0	55.8	57.6
Lebanon ³	155.7	175.0	162.0	144.9	132.9	125.1	125.9
Mauritania ⁵	209.1	82.8	94.8	90.4	111.3	85.5	51.2
Morocco ³	64.3	56.8	53.1	47.5	47.0	49.2	52.1
Pakistan	75.2	52.2	49.7	53.7	53.5	53.2	50.5
Syrian Arab Republic	77.1	32.2	28.4	22.6	17.9	16.6	15.8
Tunisia	62.2	48.8	45.9	43.3	42.9	40.4	42.8

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Weighted average of the selected countries.

³Central government.

⁴Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

⁵Includes oil revenue transferred to the oil fund, as well as public enterprise and central bank debts.

Table 14. Exports of Goods and Services*(Billions of U.S. dollars)*

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP¹	432.7	878.4	1,029.0	1,339.7	959.4	1,162.4	1,484.2
Oil exporters¹	352.1	747.9	876.2	1,144.5	788.9	970.3	1,276.5
Algeria	28.6	57.3	63.5	82.1	48.2	63.8	89.5
Bahrain	8.7	15.5	17.2	21.1	15.5	18.4	23.2
Iran, I.R. of	41.5	82.8	104.7	108.4	87.5	102.0	129.0
Iraq	...	30.2	38.7	63.6	40.6	53.4	74.4
Kuwait	27.3	64.9	72.7	98.4	61.7	73.3	105.9
Libya	18.2	43.0	49.2	62.3	37.4	44.1	...
Oman	13.6	22.9	26.4	39.6	29.4	38.2	50.9
Qatar	16.7	39.3	50.5	72.7	48.3	69.6	119.8
Saudi Arabia	109.5	225.6	249.6	323.5	202.5	253.6	377.9
Sudan	2.8	6.0	9.3	13.0	8.2	10.8	15.3
United Arab Emirates	73.7	152.4	186.7	249.7	202.3	233.7	278.7
Yemen	4.6	7.9	7.8	10.2	7.1	9.5	11.9
Oil importers	80.6	130.5	152.7	195.2	170.6	192.1	207.7
Afghanistan, Rep. of	...	1.9	2.0	2.5	2.9	3.1	3.3
Djibouti	0.2	0.3	0.3	0.4	0.4	0.4	0.5
Egypt	19.6	33.9	39.4	53.3	47.0	46.6	48.3
Jordan	4.9	8.1	9.3	12.4	10.9	12.2	13.2
Lebanon	8.5	13.7	16.0	22.8	22.8	26.1	27.7
Mauritania	0.5	1.4	1.5	1.9	1.5	2.3	3.2
Morocco	13.9	21.7	27.3	33.4	26.4	34.2	34.6
Pakistan	12.9	20.3	21.4	24.0	23.2	24.9	28.5
Syrian Arab Republic	7.9	13.1	15.5	19.3	15.4	20.5	25.6
Tunisia	11.0	16.0	20.1	25.2	19.9	21.9	22.8
CCA	32.0	75.6	100.8	142.4	100.3	126.1	173.6
Oil and gas exporters	28.2	69.4	92.8	133.0	92.2	116.7	161.8
Azerbaijan	3.8	14.0	22.5	32.1	22.8	29.3	40.8
Kazakhstan	16.8	41.6	51.9	76.4	48.3	65.3	89.2
Turkmenistan	3.7	7.5	9.5	12.3	9.5	10.0	15.4
Uzbekistan	4.0	6.3	8.9	12.2	11.5	12.2	16.4
Oil and gas importers	3.8	6.2	8.0	9.3	8.1	9.3	11.7
Armenia	0.8	1.5	1.8	1.8	1.3	1.7	2.0
Georgia	1.4	2.6	3.2	3.7	3.2	4.1	5.0
Kyrgyz Republic	0.8	1.5	2.2	3.0	2.8	2.6	3.4
Tajikistan	0.9	0.7	0.8	0.9	0.8	1.0	1.3
<i>Memorandum</i>							
MENA¹	418.6	856.1	1,005.6	1,313.1	933.3	1,134.4	1,452.4
GCC	249.4	520.6	603.1	804.9	559.7	686.7	956.4
Maghreb¹	72.2	139.5	161.5	205.0	133.4	166.3	150.0
Mashreq	40.9	68.8	80.2	107.8	96.3	105.4	114.9

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

Table 15. Imports of Goods and Services*(Billions of U.S. dollars)*

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	340.1	615.1	780.5	1,011.3	903.1	982.4	1,092.4
Oil exporters¹	240.6	446.9	579.3	748.2	670.0	731.1	817.1
Algeria	16.8	25.5	33.3	49.1	49.1	50.5	55.5
Bahrain	6.7	11.3	12.3	15.7	11.1	13.3	14.8
Iran, I.R. of	35.5	63.3	71.7	86.3	74.1	80.3	80.1
Iraq	...	23.2	29.4	48.7	54.4	54.8	76.3
Kuwait	16.3	26.9	32.5	38.2	30.7	25.9	31.2
Libya	9.6	15.2	20.0	24.9	27.1	31.1	...
Oman	8.7	13.8	19.4	26.6	21.6	24.2	32.9
Qatar	7.1	21.8	27.2	35.4	30.1	35.7	39.1
Saudi Arabia	63.6	115.3	147.1	179.5	163.6	193.7	236.0
Sudan	3.9	10.0	11.0	12.5	11.0	12.7	14.1
United Arab Emirates	59.9	112.9	166.1	219.7	187.3	198.2	224.4
Yemen	4.4	7.8	9.4	11.7	10.0	10.7	12.8
Oil importers	99.5	168.2	201.2	263.1	233.1	251.3	275.3
Afghanistan, Rep. of	...	7.4	8.4	9.5	9.6	10.0	10.4
Djibouti	0.3	0.5	0.6	0.7	0.6	0.6	0.8
Egypt	22.8	38.2	44.9	63.1	59.9	57.0	60.3
Jordan	7.7	13.2	15.7	19.2	16.5	17.9	20.2
Lebanon	12.7	16.7	20.6	28.1	28.4	31.9	34.6
Mauritania	0.9	1.6	2.1	2.7	2.1	2.5	3.6
Morocco	16.1	26.1	34.6	46.3	37.2	45.7	47.4
Pakistan	15.5	33.2	35.3	45.4	39.2	38.1	42.7
Syrian Arab Republic	8.3	14.6	18.1	21.4	18.7	23.5	28.8
Tunisia	11.7	16.7	20.8	26.6	20.9	24.0	26.5
CCA	31.0	60.8	82.7	100.9	87.1	93.5	121.2
Oil and gas exporters	25.7	50.0	67.5	80.2	71.8	76.2	100.1
Azerbaijan	4.2	8.1	9.4	11.5	9.9	11.0	16.5
Kazakhstan	14.8	32.9	45.0	49.6	38.9	42.8	56.4
Turkmenistan	3.1	3.6	4.9	7.8	11.3	11.3	13.4
Uzbekistan	3.5	5.4	8.2	11.4	11.7	11.0	13.8
Oil and gas importers	5.3	10.8	15.3	20.7	15.3	17.3	21.1
Armenia	1.4	2.5	3.6	4.7	3.7	4.1	4.6
Georgia	2.0	4.4	5.9	7.5	5.3	6.1	7.5
Kyrgyz Republic	0.9	2.3	3.2	4.7	3.7	4.1	5.2
Tajikistan	1.1	1.6	2.6	3.7	2.7	2.9	3.8
<i>Memorandum</i>							
MENA¹	321.2	574.5	736.8	956.4	854.2	934.4	1,039.3
GCC	162.3	302.0	404.6	515.1	444.3	491.0	578.3
Maghreb¹	55.2	85.0	110.8	149.5	136.4	153.9	133.0
Mashreq	51.5	82.8	99.3	131.9	123.5	130.3	143.9

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

Table 16. Current Account Balance
(Billions of U.S. dollars)

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP¹	88.0	275.7	259.0	329.1	38.3	149.1	347.6
Oil exporters¹	89.1	282.3	270.9	355.7	66.4	171.9	378.0
Algeria	10.3	29.0	30.6	34.5	0.4	15.1	34.3
Bahrain	0.5	2.2	2.9	2.3	0.6	1.0	3.5
Iran, I.R. of	6.7	20.4	34.1	24.0	13.5	21.6	49.2
Iraq	...	8.5	7.1	11.0	-17.4	-5.1	-3.5
Kuwait	13.7	45.3	42.2	60.2	28.6	41.7	68.1
Libya	7.2	28.1	29.8	37.1	9.4	11.9	...
Oman	2.2	5.7	2.5	5.0	-0.3	6.5	9.8
Qatar	6.6	15.3	20.2	32.3	10.0	24.3	70.2
Saudi Arabia	34.3	99.1	93.5	132.5	22.8	38.8	114.4
Sudan	-1.7	-5.5	-5.8	-5.2	-6.9	-5.8	-4.2
United Arab Emirates	10.1	34.1	15.4	23.3	8.2	23.3	37.7
Yemen	0.6	0.2	-1.5	-1.3	-2.6	-1.4	-1.5
Oil importers	-1.1	-6.7	-11.9	-26.6	-28.1	-22.7	-30.5
Afghanistan, Rep. of	...	-0.4	0.1	-0.2	-0.3	0.3	-0.1
Djibouti	-0.0	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2
Egypt	1.3	1.8	2.7	0.9	-4.4	-4.3	-6.3
Jordan	-0.1	-1.7	-3.0	-2.0	-1.6	-1.5	-2.5
Lebanon	-3.0	-1.2	-1.7	-2.8	-3.3	-4.0	-5.5
Mauritania	-0.3	-0.0	-0.5	-0.6	-0.4	-0.2	-0.3
Morocco	1.0	1.4	-0.1	-4.6	-4.4	-4.3	-5.7
Pakistan	1.2	-5.0	-6.9	-13.9	-9.3	-3.9	-3.1
Syrian Arab Republic	-0.4	-0.8	-1.4	-1.5	-3.1	-2.6	-3.1
Tunisia	-0.7	-0.6	-0.9	-1.7	-1.2	-2.1	-3.6
CCA	-1.0	5.2	3.4	23.7	0.9	16.1	29.7
Oil and gas exporters	-0.5	6.6	6.4	28.8	3.7	18.7	33.4
Azerbaijan	-0.9	3.7	9.0	16.5	10.2	15.1	20.5
Kazakhstan	-0.4	-2.0	-8.3	6.3	-4.2	3.5	9.9
Turkmenistan	0.4	3.4	4.0	3.6	-3.0	-2.4	-1.3
Uzbekistan	0.5	1.6	1.6	2.5	0.7	2.6	4.3
Oil and gas importers	-0.5	-1.5	-2.9	-5.1	-2.8	-2.7	-3.6
Armenia	-0.1	-0.1	-0.6	-1.4	-1.4	-1.3	-1.2
Georgia	-0.4	-1.2	-2.0	-2.9	-1.2	-1.1	-1.7
Kyrgyz Republic	0.0	-0.1	-0.0	-0.4	0.1	-0.3	-0.4
Tajikistan	-0.0	-0.1	-0.3	-0.4	-0.3	0.1	-0.3
<i>Memorandum</i>							
MENA¹	87.0	281.1	265.8	343.1	47.9	152.8	350.8
GCC	67.4	201.7	176.6	255.6	69.9	135.5	303.7
Maghreb¹	17.4	57.8	58.9	64.6	3.7	20.4	24.6
Mashreq	-2.1	-1.9	-3.4	-5.4	-12.4	-12.4	-17.4

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

Table 17. Current Account Balance
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP¹	7.9	16.2	13.0	13.3	1.7	5.9	11.7
Oil exporters¹	11.2	21.9	17.9	18.8	4.2	9.2	16.9
Algeria	14.0	24.7	22.8	20.2	0.3	9.4	17.8
Bahrain	5.0	13.8	15.7	10.2	2.9	4.6	13.0
Iran, I.R. of	5.2	9.2	11.9	7.3	4.2	6.0	11.7
Iraq	...	19.0	12.5	12.8	-26.6	-6.2	-3.2
Kuwait	26.2	44.6	36.8	40.5	26.1	31.8	39.4
Libya	18.9	49.7	41.7	41.7	15.6	16.0	...
Oman	9.4	15.4	5.9	8.3	-0.6	11.6	14.9
Qatar	25.2	25.3	25.0	29.2	10.2	18.7	36.1
Saudi Arabia	13.6	27.8	24.3	27.8	6.1	8.7	19.8
Sudan	-9.5	-15.2	-12.5	-9.0	-12.4	-8.5	-5.5
United Arab Emirates	7.7	15.4	6.0	7.4	3.0	7.7	10.4
Yemen	5.3	1.1	-7.0	-4.6	-10.2	-4.4	-4.0
Oil importers	-0.4	-1.6	-2.5	-4.6	-4.6	-3.3	-4.1
Afghanistan, Rep. of	...	-5.7	0.9	-1.6	-2.6	2.0	-0.7
Djibouti	-0.4	-11.5	-21.4	-24.3	-9.1	-6.7	-15.4
Egypt	1.6	1.6	2.1	0.5	-2.3	-2.0	-2.7
Jordan	-0.0	-11.0	-16.9	-9.0	-6.3	-5.4	-8.5
Lebanon	-15.2	-5.3	-6.8	-9.2	-9.4	-10.2	-12.9
Mauritania	-18.8	-1.3	-18.3	-15.8	-12.3	-4.9	-6.9
Morocco	2.2	2.2	-0.1	-5.2	-4.9	-4.2	-5.7
Pakistan	1.6	-3.9	-4.8	-8.5	-5.7	-2.3	-1.5
Syrian Arab Republic	-1.3	-2.3	-3.6	-2.8	-5.7	-4.4	-4.6
Tunisia	-3.0	-1.8	-2.4	-3.8	-2.8	-4.8	-7.8
CCA	-1.6	3.2	1.6	8.9	0.4	5.7	8.6
Oil and gas exporters	-0.9	4.7	3.4	12.4	1.8	7.4	10.7
Azerbaijan	-12.2	17.6	27.3	35.5	23.6	27.7	28.4
Kazakhstan	-1.4	-2.5	-8.1	4.6	-3.7	2.5	5.8
Turkmenistan	4.1	15.7	15.5	16.5	-16.1	-11.4	-4.7
Uzbekistan	3.8	9.1	7.3	8.7	2.2	6.7	10.0
Oil and gas importers	-5.4	-7.4	-10.9	-14.7	-9.6	-8.5	-10.4
Armenia	-6.4	-1.8	-6.4	-11.8	-16.0	-13.7	-12.4
Georgia	-8.0	-15.1	-19.7	-22.6	-11.2	-9.8	-13.0
Kyrgyz Republic	-0.1	-3.1	-0.2	-8.1	2.0	-7.4	-8.7
Tajikistan	-2.8	-2.8	-8.6	-7.6	-5.9	2.2	-4.1
<i>Memorandum</i>							
MENA¹	8.5	17.9	14.4	14.9	2.4	6.5	12.7
GCC	13.4	25.4	19.6	22.5	7.6	12.5	21.7
Maghreb¹	9.3	20.9	18.2	16.3	1.1	5.3	7.2
Mashreq	-1.5	-1.1	-1.6	-2.0	-4.1	-3.6	-4.7

Sources: National authorities; and IMF staff estimates and projections.
¹2011 data exclude Libya.

Table 18. Gross Official Reserves
(Billions of U.S. dollars)

	Average						Proj.
	2000–05	2006	2007	2008	2009	2010	2011
MENAP¹	252.8	601.8	848.7	1,011.5	997.9	1,098.8	1,155.8
Oil exporters¹	193.2	504.1	734.7	889.1	862.6	950.1	1,025.3
Algeria	30.9	77.8	110.2	143.1	148.9	165.3	197.9
Bahrain	1.5	2.7	4.1	3.8	3.5	4.9	7.9
Iran, I.R. of	25.9	60.5	82.9	79.6	78.0	85.7	122.6
Iraq	...	20.0	31.5	50.2	44.3	50.6	50.6
Kuwait	8.0	11.8	15.9	16.7	17.7	19.9	22.4
Libya	21.6	59.3	79.4	92.3	98.7	101.8	...
Oman	3.3	5.0	9.5	11.4	12.2	13.0	14.4
Qatar	2.5	5.4	9.8	9.8	18.8	27.2	36.2
Saudi Arabia ²	73.4	225.2	305.3	441.9	408.6	443.7	517.8
Sudan	0.6	1.7	1.4	2.0	0.9	0.8	1.3
United Arab Emirates ³	16.4	28.0	77.9	30.9	24.7	32.0	49.7
Yemen	4.2	6.8	7.0	7.3	6.2	5.1	4.5
Oil importers	59.6	97.7	114.0	122.4	135.3	148.7	130.5
Afghanistan, Rep. of	...	2.0	2.8	3.5	4.2	5.1	5.4
Djibouti	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Egypt	15.4	23.0	28.6	34.6	31.3	35.2	27.7
Jordan	3.8	6.2	6.9	7.7	11.1	12.4	11.6
Lebanon	7.5	11.4	11.5	18.8	27.4	30.2	27.3
Mauritania	0.1	0.2	0.2	0.2	0.2	0.3	0.4
Morocco	11.8	20.8	24.7	22.8	23.6	25.1	19.3
Pakistan	6.1	10.8	14.3	8.6	9.1	13.0	13.6
Syrian Arab Republic	11.2	16.5	17.0	17.1	17.6	17.6	17.2
Tunisia	2.9	6.8	7.9	9.0	10.6	9.5	7.7
CCA	8.6	29.2	33.7	40.1	46.7	56.1	71.7
Oil and gas exporters	7.4	26.3	29.4	35.9	40.7	49.8	64.8
Azerbaijan	0.9	2.5	4.3	6.5	5.4	6.9	8.9
Kazakhstan	4.8	19.1	17.6	19.9	23.1	28.3	36.0
Turkmenistan	...	...	...	...	...	...	...
Uzbekistan	1.7	4.7	7.5	9.5	12.2	14.6	19.9
Oil and gas importers	1.2	2.9	4.3	4.3	6.0	6.3	6.9
Armenia	0.5	1.1	1.7	1.4	2.0	1.9	1.8
Georgia	0.3	0.9	1.4	1.5	2.1	2.3	2.7
Kyrgyz Republic	0.4	0.8	1.2	1.2	1.6	1.7	1.8
Tajikistan	0.1	0.1	0.1	0.2	0.3	0.5	0.6
<i>Memorandum</i>							
MENA¹	246.0	589.0	831.7	999.4	984.6	1,080.7	1,136.8
GCC	105.0	278.1	422.5	514.6	485.5	540.7	648.4
Maghreb¹	67.3	164.8	222.4	267.4	282.0	302.0	225.3
Mashreq	37.9	57.0	64.0	78.2	87.4	95.5	83.9

Sources: National authorities; and IMF staff estimates and projections.

¹2011 data exclude Libya.

²Saudi Arabia Monetary Agency gross foreign assets.

³Central bank only. Excludes overseas assets of sovereign wealth funds.

Table 19. Total Gross External Debt
(Percent of GDP)¹

	Average 2000–05	2006	2007	2008	2009	2010	Proj. 2011
MENAP²	33.2	31.3	34.6	29.8	35.0	31.8	27.4
Oil exporters²	25.2	27.8	34.0	28.9	35.6	31.8	26.5
Algeria	34.1	5.0	4.2	3.5	3.8	2.8	2.0
Bahrain	48.0	53.4	139.3	151.5	169.6	155.1	146.6
Iran, I.R. of	10.9	10.4	9.8	6.2	6.5	5.3	4.1
Iraq	...	212.8	174.6	110.5	137.9	107.8	33.9
Kuwait	28.1	30.4	50.2	40.7	52.6	41.3	32.1
Libya	17.5	9.9	7.8	6.3	9.3	7.5	...
Oman	23.3	15.5	17.2	15.1	18.6	12.3	9.7
Qatar	60.1	43.5	51.8	51.6	85.2	80.5	63.6
Saudi Arabia	11.7	11.9	19.7	17.5	23.8	20.3	20.8
Sudan	133.9	78.1	68.5	58.1	64.0	53.8	51.8
United Arab Emirates	17.4	36.3	50.4	43.1	48.1	46.2	39.9
Yemen	43.4	28.7	26.9	21.9	24.0	19.6	17.8
Oil importers	51.6	42.1	36.6	32.8	33.2	31.8	30.0
Afghanistan, Rep. of	...	169.4	23.3	20.2	9.2	8.2	8.0
Djibouti	59.1	56.8	63.6	60.2	59.7	58.3	57.2
Egypt	32.5	27.6	22.9	21.9	17.1	15.6	14.6
Jordan ³	73.0	46.8	41.7	22.6	21.7	21.6	18.9
Lebanon	160.7	198.8	194.0	171.6	169.0	160.8	156.8
Mauritania	216.9	94.1	97.4	83.4	103.6	83.2	58.1
Morocco	36.1	23.9	23.7	20.6	23.2	24.8	22.9
Pakistan	39.8	28.0	27.0	27.1	32.1	31.3	28.7
Syrian Arab Republic	82.8	27.5	21.7	16.8	15.4	14.4	13.4
Tunisia ⁴	60.1	53.9	51.8	45.9	49.3	48.5	48.7
CCA	51.6	54.9	53.4	47.7	57.5	46.9	43.3
Oil and gas exporters	49.9	57.3	56.3	49.7	58.6	46.2	42.2
Azerbaijan ⁵	18.5	9.4	7.7	6.5	7.9	7.2	8.0
Kazakhstan	73.0	91.4	93.9	79.7	99.7	76.4	67.7
Turkmenistan	19.5	3.3	2.4	2.8	2.7	7.4	16.2
Uzbekistan	37.0	22.1	16.7	13.1	15.0	14.7	16.6
Oil and gas importers	61.3	38.1	34.1	34.3	50.1	53.2	52.9
Armenia ⁵	37.6	18.9	15.7	13.5	34.7	35.5	37.5
Georgia	47.2	37.8	38.5	44.0	58.0	61.2	61.9
Kyrgyz Republic	107.1	77.7	60.2	45.1	58.2	68.3	63.6
Tajikistan	90.1	42.7	40.9	46.3	51.6	53.6	50.4
<i>Memorandum</i>							
MENA²	32.5	31.0	35.2	30.0	35.3	32.0	27.4
GCC	18.9	24.5	37.6	33.5	43.7	39.6	34.9
Maghreb²	36.4	17.4	16.1	13.5	16.7	15.7	15.1
Mashreq	61.1	50.7	44.3	37.8	34.7	32.4	31.0

Sources: National authorities; and IMF staff estimates and projections.

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

²2011 data exclude Libya.

³Excludes deposits of nonresidents held in the banking system.

⁴Includes bank deposits of nonresidents.

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

Table 20. Capital Adequacy Ratios
(Percent of risk-weighted assets)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Jan-11	Feb-11	Mar-11
Oil exporters								
Algeria	15.2	12.9	16.5	21.9	...	...	...	...
Bahrain	22.0	21.0	18.1	19.6	...	...	...	...
Iran, I.R. of	9.9	9.1	6.5	...	...	...	...	...
Iraq	...	...	...	...	...	...	...	...
Kuwait	21.2	19.4	17.1	18.0	...	...	...	...
Libya	11.6	11.8	12.2	14.5	...	...	...	...
Oman	17.2	15.8	14.7	15.5	15.0	...	...	...
Qatar	14.3	13.5	15.5	16.1	16.1	...	...	...
Saudi Arabia	21.9	20.6	16.0	16.5	...	...	...	...
Sudan	19.7	22.0	10.5	7.1	10.0	...	...	...
United Arab Emirates	16.6	14.0	13.3	19.2	20.8 ¹	...	...	...
Yemen ²	12.0	8.7	14.6	14.6 ³	...	...	...	...
Oil importers								
Afghanistan, Rep. of	...	...	...	...	...	...	...	...
Djibouti	17.4	8.1	8.5	9.5	...	...	...	...
Egypt	14.7	14.8	14.7	15.1	...	...	...	...
Jordan	21.4	20.8	18.4	19.6	19.5	19.5	...	...
Lebanon ⁴	25.0	12.5	12.2	13.7	13.3	...	...	...
Mauritania	...	28.2	31.9	...	...	...	...	...
Morocco	12.3	10.6	11.2	11.7	...	...	...	...
Pakistan	12.7	12.3	12.2	14.0	14.0	...	...	...
Syrian Arab Republic	7.0	6.5	6.5	6.3	6.5	...	...	...
Tunisia	11.8	11.6	11.7	12.4	12.6	...	...	...
CCA								
Armenia	34.9	30.1	27.5	28.3	22.2	21.7	...	...
Azerbaijan	18.7	19.9	19.6	17.7	16.9	16.7	...	...
Georgia	...	30.0	24.0	25.6	23.6	26.1	26.8	...
Kazakhstan	15.0	14.2	14.9	-8.2	17.6	17.4	17.5	17.9
Kyrgyz Republic	28.5	31.0	32.6	33.5	30.4	31.2	...	...
Tajikistan	...	19.4	24.2	25.4	24.5	...	...	...
Turkmenistan	25.3	15.9	30.9	16.5	18.7	...	...	...
Uzbekistan	...	23.2	23.2	23.4	23.4	...	...	...

Source: National authorities.

¹Assuming banks retain 50 percent of 2010 profits.

²Data refer to all banks except the Housing Bank and CAC Bank. 2006 includes CAC Bank data.

³Audited financial statements.

⁴From 2007 onward, based on revised risk weights (Basel II).

Table 21. Return on Assets
(Percent)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Jan-11	Feb-11	Mar-11
Oil exporters								
Algeria	0.9	1.1	1.2	1.4	...	...	...	...
Bahrain	2.1	1.2	1.3	1.2	...	...	...	...
Iran, I.R. of	...	...	...	...	...	...	...	...
Iraq	...	...	...	...	...	...	...	...
Kuwait	3.7	3.6	0.9	0.8	...	...	...	...
Libya	0.5	0.4	0.6	0.7	...	...	...	...
Oman	2.3	2.1	1.7	1.4	1.8	...	...	...
Qatar	3.7	3.6	2.9	2.6	...	...	...	...
Saudi Arabia	4.0	2.8	2.3	2.0	1.9	1.8	...	...
Sudan	3.6	3.7	3.0	3.8	3.9	0.3	...	...
United Arab Emirates	2.3	2.0	1.8	1.3	1.4	...	...	...
Yemen	1.2	1.6	1.0	0.9	...	...	...	...
Oil importers								
Afghanistan, Rep. of	...	...	...	1.2	...	...	...	...
Djibouti	1.8	1.8	1.6	1.4	...	...	...	...
Egypt	0.8	0.9	0.8	0.8	...	...	...	...
Jordan	1.7	1.6	1.4	1.1	...	...	...	...
Lebanon ¹	0.9	1.0	1.1	1.1	1.2	...	...	...
Mauritania	...	4.0	3.1	1.4	...	...	...	...
Morocco	1.3	1.5	1.2	1.2	...	...	...	...
Pakistan	2.1	1.5	0.8	0.9	1.0	...	...	...
Syrian Arab Republic	2.0	2.4	1.8	1.9	1.0	...	...	...
Tunisia	0.7	0.9	1.0	1.0	1.0	...	...	...
CCA								
Armenia	3.6	2.9	3.1	0.7	2.2	-0.4	...	...
Azerbaijan	1.3	1.9	1.8	2.2	0.9	-0.1	...	...
Georgia ²	...	1.9	-2.6	-0.8	1.7	1.4	0.6	...
Kazakhstan	...	2.3	0.3	-24.1	12.5	...	...	...
Kyrgyz Republic	3.4	4.4	3.8	2.5	1.1	...	...	...
Tajikistan	...	2.7	2.0	0.8	0.8	...	...	...
Turkmenistan	5.4	4.1	4.3	3.6	2.6	...	...	...
Uzbekistan	...	2.4	8.9	7.4	7.7	...	...	...

Source: National authorities.

¹After tax.

²Cumulative and annualized.

Table 22. Nonperforming Loans
(Percent of total loans)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Jan-11	Feb-11	Mar-11
Oil exporters								
Algeria	34.2	35.5	28.2	21.8	...	...	...	...
Bahrain	4.8	6.0	2.3	3.9	...	...	...	...
Iran, I.R. of	9.9	15.7	18.3	...	...	...	...	...
Iraq	...	...	...	...	...	...	...	...
Kuwait	3.9	3.2	5.3	9.7	...	...	...	...
Libya	25.4	27.2	19.2	16.9	...	...	...	...
Oman	4.9	3.2	2.1	3.5	3.3	...	...	...
Qatar	2.2	1.5	1.2	1.7	2.0	...	...	...
Saudi Arabia	2.0	2.1	1.4	3.3	...	...	...	...
Sudan	19.4	26.0	22.4	20.5	14.4	14.1	...	...
United Arab Emirates	6.3	2.9	2.5	4.8	5.9	...	...	...
Yemen ¹	23.0	19.5	14.2 ²	13.9	...	...	...	...
Oil importers								
Afghanistan, Rep. of	3.4	0.7	1.2	0.7	...	...	...	...
Djibouti	15.6	10.9	8.6	6.7	...	...	...	...
Egypt ³	18.2	19.3	14.8	13.4	...	...	...	...
Jordan	4.3	4.1	4.2	6.7	7.9	7.9	...	...
Lebanon	13.5	10.1	7.5	6.0	4.4	...	...	...
Mauritania	...	32.4	28.0	28.0	...	...	...	...
Morocco	10.9	7.9	6.0	5.5	4.8	...	...	...
Pakistan	6.9	7.6	10.5	12.6	14.7	...	...	...
Syrian Arab Republic	4.7	5.3	5.1	4.8	...	...	...	...
Tunisia	19.3	17.6	15.5	13.2	12.1	...	...	...
CCA								
Armenia	2.5	2.4	4.4	4.8	3.1	4.3	...	...
Azerbaijan	6.6	3.0	3.3	3.5	4.7	4.9	...	...
Georgia	...	0.8	4.1	6.3	5.4	5.4	5.3	...
Kazakhstan ⁴	...	...	5.2	21.2	23.8	24.7	24.7	...
Kyrgyz Republic	6.2	5.3	5.3	8.2	15.8	16.6	...	...
Tajikistan ⁵	4.1	2.8	5.4	10.4	7.5	...	...	...
Turkmenistan	0.6	0.4	0.1	0.1	0.6	...	...	...
Uzbekistan	...	2.6	3.0	1.2	1.0	...	...	...

Source: National authorities.

¹Data refer to all banks except the Housing Bank and CAC Bank. 2006 includes CAC Bank data.

²Audited financial statements.

³Provisioning to NPLs surpassed 100 percent as of Dec. 2009 and data refers to end of fiscal year.

⁴90-day basis.

⁵Overdue by 30 days or more.

