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Middle East and Central Asia

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Acknowledgments

The Middle East and Central Asia *Regional Economic Outlook* (REO) is prepared annually (with a six-month update) 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 MCD 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 Paul Cashin (Chief of MCD's Regional Studies Division).

The primary contributors to this report are Alberto Behar, Padamja Khandelwal, and Gabriel Sensenbrenner. Other contributors include Yasser Abdih, Marina Albino-War, David Amaglobeli, Adolfo Barajas, Christian Beddies, Paul Cashin, Serhan Cevik, Ralph Chami, Joshua Charap, Mariana Colacelli, Christian Ebeke, Jaime Espinosa Bowen, Ghada Fayad, Ricardo Fenochietto, Harald Finger, Davide Furceri, Susan George, Oussama Kanaan, May Khamis, Udo Kock, Annette Kyobe, Edouard Martin, Leandro Medina, Kamiar Mohaddes, Ananthakrishnan Prasad, Mehdi Raissi, Pedro Rodriguez, Agustín Roitman, Randa Sab, Asghar Shahmoradi, Bahrom Shukurov, Gabriel Srour, Mariusz Sumlinski, Sampawende J. A. Tapsoba, and Paul Zimand.

Jaime Espinosa Bowen and Gohar Abajyan provided research assistance and managed the database and computer systems with support from Kamal Krishna and Marina Rousset. Deven Thead and Sanaa Farid were responsible for word processing and document management. Christine Ebrahimzadeh and Kia Penso edited the manuscript and managed the production of the publication in close collaboration with Joe Procopio of the External Relations Department.

Assumptions and Conventions

A number of assumptions have been adopted for the projections presented in the *Regional Economic Outlook: Middle East and Central Asia*. It has been assumed that established policies of national authorities will be maintained; that the price of oil[1] will average US$106.2 a barrel in 2012 and US$105.1 in 2013; and that the six-month London interbank offered rate (LIBOR) on U.S. dollar deposits will average 0.7 percent in 2012 and 0.6 percent in 2013. 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 2012 and 2013 data in the figures and tables are projections. These projections are based on statistical information available through early September 2012.

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, 2010–11 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, 2010/11) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2011).
- "Billion" means a thousand million; "trillion" means a thousand billion.
- "Basis points (bps)" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

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

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

Country and Regional Groupings

The November 2012 *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 2012 and prospects and policy issues for 2013. To facilitate the analysis, the 30 MCD countries covered in this report are divided into two main 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)—which are further subdivided into oil and gas exporters and oil and gas importers. The country acronyms used in some figures are included in parentheses.

MENAP oil exporters[1,2] comprise Algeria (ALG), Bahrain (BHR), Iran (IRN), Iraq (IRQ), Kuwait (KWT), Libya (LBY), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), 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), Sudan (SDN), Syria (SYR), and Tunisia (TUN).

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.

MENA oil importers comprise Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Sudan, Syria, and Tunisia.

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 **ACTs** (Arab countries in transition) comprise Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen.

CCA oil and gas exporters comprise Azerbaijan (AZE), Kazakhstan (KAZ), Turkmenistan (TKM), and Uzbekistan (UZB).

CCA oil and gas importers comprise Armenia (ARM), Georgia (GEO), the Kyrgyz Republic (KGZ), and Tajikistan (TJK).

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.

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

[2]2011 data for Sudan exclude South Sudan; data for 2012 onward pertain to the current Sudan.

World Economic Outlook[1]

The recovery has suffered new setbacks, and uncertainty weighs heavily on the outlook. A key reason is that policies in the major advanced economies have not rebuilt confidence in medium-term prospects. Tail risks, such as those relating to the viability of the euro area or major U.S. fiscal policy mistakes, continue to preoccupy investors. The *World Economic Outlook* (WEO) forecast thus sees only a gradual strengthening of activity from the relatively disappointing pace of early 2012. Global growth is projected at 3.3 and 3.6 percent in 2012 and 2013, respectively (see table). Output is expected to remain sluggish in advanced economies but still relatively solid in many emerging market and developing economies. Unemployment is likely to stay elevated in many parts of the world, and financial conditions will remain fragile.

The WEO forecast rests on two crucial policy assumptions. The first is that European policymakers will adopt policies that gradually ease financial conditions further in periphery economies. The second is that U.S. policymakers will prevent the drastic automatic tax increases and spending cutbacks (the "fiscal cliff") implied by existing budget law, raise the U.S. federal debt ceiling in a timely manner, and make good progress toward a comprehensive plan to restore fiscal sustainability.

Overview of the *World Economic Outlook* Projections

(Percent change)

	Year-over-Year		
		Projections	
	2011	2012	2013
World output	**3.8**	**3.3**	**3.6**
Advanced economies	1.6	1.3	1.5
Of which: United States	1.8	2.2	2.1
European Union	1.6	–0.2	0.5
Emerging and developing economies	6.2	5.3	5.6
Of which: MENAP	3.3	5.1	3.6
CCA	6.7	5.7	5.5
Commonwealth of Independent States	4.9	4.0	4.1
Of which: Russia	4.3	3.7	3.8
World trade volume (goods and services)	**5.8**	**3.2**	**4.5**
Commodity prices			
Oil[1]	31.6	2.1	–1.0
Nonfuel[2]	17.8	–9.5	–2.9

Sources: IMF, *World Economic Outlook* (October 2012) and *Middle East and Central Asia Regional Economic Outlook* (November 2012).

[1]Simple 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 $104.01 in 2011; the assumed price based on future markets is $106.18 in 2012 and $105.10 in 2013.

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

This juncture presents major difficulties for policymakers. In many advanced economies, injections of liquidity are having a positive impact on financial stability, output, and employment, but the impact may be diminishing over time. Many governments have started in earnest to reduce excessive deficits, but because uncertainty is high, confidence is low, and financial sectors remain weak, fiscal achievements have been accompanied by disappointing growth or recessions. In emerging market and developing economies, policymakers are conscious of the need to rebuild fiscal and monetary policy space but are wondering how to calibrate policies in the face of major external downside risks.

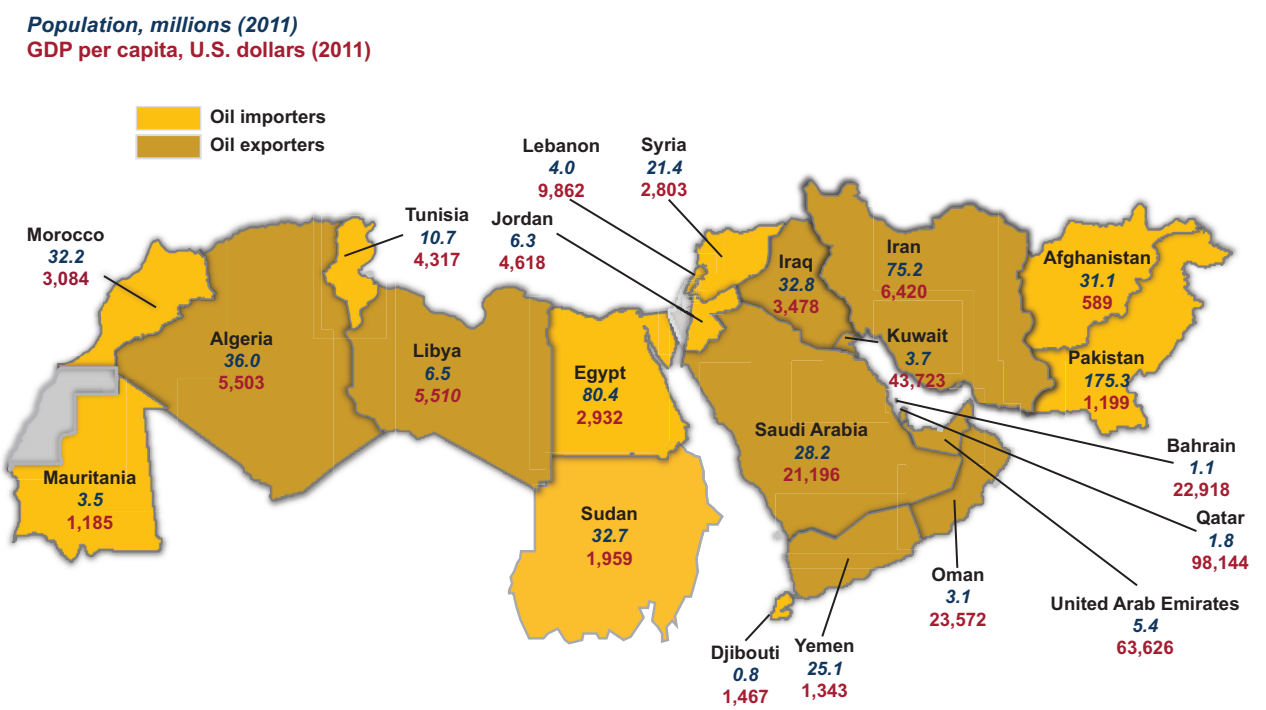
An effective policy response in the major advanced economies is the key to improving prospects and inspiring more confidence about the future. In the short term, the main tasks are to rule out the tail risk scenarios and adopt concrete plans to bring down public debt over the medium term. Reducing the risks to the medium-term outlook presaged by the public debt overhang in the major advanced economies will require supportive monetary policies and appropriate structural reforms, as well as careful fiscal policy.

In emerging market and developing economies, activity has been slowed by policy tightening in response to capacity constraints, weaker demand from advanced economies, and country-specific factors. Policy improvements have raised their resilience to shocks. Since the crisis erupted in 2008, expansionary policies have buffered the negative impact of the weakness in advanced economy markets: fiscal deficits have typically been above precrisis levels, whereas real interest rates have been lower. Domestic credit has grown rapidly. Over the medium term, policymakers will need to ensure that they retain the ability to respond flexibly to shocks by maintaining a sound fiscal position and by keeping inflation and credit growth at moderate rates.

Global imbalances, and associated vulnerabilities, have diminished, but more decisive policy action is needed to address them. More adjustment in external-deficit economies and more internal demand in external-surplus economies would contribute not only to a safer global economy but also to stronger growth for all.

[1] See IMF, *World Economic Outlook* and *Global Financial Stability Report* (both October 2012) for more information.

Middle East, North Africa, Afghanistan, and Pakistan



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 economic outlook for the Middle East and North Africa region is mixed. Most of the region's oil-exporting countries are growing at healthy rates while the oil importers face subdued economic prospects.

The region's oil exporters are expected to post solid growth in 2012, largely on account of Libya's better-than-expected postwar recovery. In the countries of the Gulf Cooperation Council (GCC), growth remains robust, supported by expansionary fiscal policies and accommodative monetary conditions. For these countries, as for the region more broadly, the medium-term challenge is to generate enough jobs for a young and rapidly growing population.

The slowdown witnessed in 2011 in the region's oil importers persists. A moderate economic recovery is expected in 2013, but is subject to heightened downside risks. For the Arab countries in transition (ACTs), ongoing political transitions also weigh on growth. With policy buffers largely eroded, the need for action on both macroeconomic stabilization and growth-oriented reforms is becoming increasingly urgent. Countries will need to put in place safety nets to protect the poor and build consensus for some difficult and urgent fiscal choices, while people will need to feel that the burdens of economic reform are being borne equitably.

Oil Exporters: Increase Resilience and Create Private-Sector Jobs

The region's oil-exporting countries have been able to use the proceeds from booming oil prices to sustain growth in a weak global environment. For the group as a whole, growth is expected to rise to about 6½ percent in 2012 on the back of a strong, better-than-expected recovery in Libya, and is forecast to return to a rate of almost 4 percent in 2013. GCC growth continues to be robust, supported by accommodative monetary and fiscal conditions, but is expected to slow from 7½ percent in 2011 to 3¾ percent in 2013 as oil production reaches a plateau.

The price of oil is expected to remain above US$100 per barrel in 2012–13. As a result, the oil exporters' combined current account surplus is anticipated to remain near its historic high of about US$400 billion in 2012. However, these surpluses are sensitive to a change in the oil price: a 10 percent drop in oil prices would bring down that surplus by about US$150 billion.

In the context of booming oil prices and growing social demands, government expenditure on wages and salaries has been rising dramatically in most oil exporters in recent years. This stepped-up spending means that fiscal breakeven prices have risen faster than the actual oil price and are expected to continue to rise, increasing the vulnerability to a negative oil price shock. Although many countries have the buffers to withstand short-run oil price volatility, a sustained drop in oil prices resulting from a further slowdown in global economic activity remains a key risk.

To boost resilience to oil price declines and achieve greater intergenerational equity, fiscal policy can gradually shift to bolstering national savings. Some low-income oil exporters face constrained budgets and immediate difficult trade-offs. The GCC countries, where the expansionary fiscal stance has been appropriate in the absence of overheating pressures, could ease the pace of government spending, especially on hard-to-reverse expenditures like public-sector hiring, which tends to crowd out private-sector employment.

Broader structural reforms, including reduced restrictions on international trade in services and measures to reduce skills mismatches, would also help generate private-sector jobs and inclusive growth.

Oil Importers: Restore Macroeconomic Sustainability and Accelerate Growth

In recent months, most ACTs have made progress in implementing political reforms. Newly elected governments have maintained macroeconomic stability, but fiscal and external balances have deteriorated. With uncertainty over the medium-term policy agendas in many countries, investors are holding back. Meanwhile, international food and fuel prices have continued to rise, and economic activity in trading partners—most notably in Europe, with which many oil importers have important economic links—has deteriorated. As a result, the region's oil importers have witnessed a marked decline in exports in 2012 while their import bills continue to grow. In addition, tourism arrivals are recovering only slowly from the large decline in 2011, and foreign direct investment inflows remain subdued. Consequently, these countries continue to face an economic slowdown in 2012, with growth of about 2 percent. For 2013, a recovery to about 3¼ percent growth is foreseen—a rate far below what is required to address chronic and growing unemployment.

In response to social demands and rising food and fuel prices, governments have significantly expanded spending on subsidies. Budget revenues have also fallen, with the consequence that fiscal balances across the region have deteriorated by a cumulative 2¼ percent of GDP over the past two years. Although expansionary fiscal policies have helped mitigate the downturn, they have had only a modest impact on economic activity: a large increase in generalized subsidies and wages has been partially offset by a decrease in public investment, thereby reducing the positive impact of stimulus. In addition, government reliance on domestic bank financing has reduced the availability of private-sector credit.

There is limited room for additional fiscal stimulus. With average public debt at more than 70 percent of GDP, fiscal vulnerabilities are high, and any significant fiscal slippages, slower-than-projected growth, or higher interest rates could put debt on an unsustainable path.

At the same time, external current account deficits have widened from already high levels. Together with weak capital inflows, these have resulted in a sharp decline in official international reserves, raising concerns about reserve adequacy and leaving diminished buffers and limited policy space for addressing a downturn. Although temporary factors are playing a role, external current account deficits are structural in some countries. Moving away from the use of exchange rates as a nominal anchor can allow for more flexible monetary policy to help restore and maintain price stability and competitiveness.

Stronger growth is urgently needed to spur job creation and provide the population with tangible benefits. To that end, it is important that governments embark on policies to restore macroeconomic sustainability and structural reforms aimed at improving competitiveness, laying the foundations for a more inclusive economic model. It is equally important that both stabilization measures and the design of structural reforms are done in a way that minimizes adverse impacts on the poor and vulnerable. Building consensus for these measures through a proactive communication strategy will be key to gaining the broad support required for their successful implementation. The leadership for this effort clearly lies with the countries themselves, but they will need to be supported by the international community through finance, technical support, and better access to export markets.

MENAP Region: Selected Economic Indicators, 2000–13

(Percent of GDP, unless otherwise indicated)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP[1]								
Real GDP (annual growth)	5.4	5.8	4.4	2.6	4.8	3.3	5.1	3.6
Current Account Balance	9.2	13.1	13.7	2.0	7.0	13.2	11.2	9.7
Overall Fiscal Balance	3.1	6.2	6.6	–3.0	–0.4	1.5	1.5	0.4
Inflation, p.a. (annual growth)	5.9	9.9	14.3	7.3	7.3	10.3	10.9	9.5
MENAP oil exporters								
Real GDP (annual growth)	5.8	5.3	4.0	1.7	5.3	3.9	6.6	3.8
Current Account Balance	13.4	18.6	19.7	4.8	11.0	18.7	16.4	14.2
Overall Fiscal Balance	7.4	12.4	13.3	–1.8	2.5	5.9	6.1	4.4
Inflation, p.a. (annual growth)	6.7	11.5	15.0	5.7	6.6	10.4	11.5	9.7
***Of which:* Gulf Cooperation Council**								
Real GDP (annual growth)	5.7	5.3	6.3	–0.2	5.5	7.5	5.5	3.7
Current Account Balance	15.4	19.9	22.7	7.5	14.4	24.1	23.6	21.1
Overall Fiscal Balance	11.5	17.9	24.8	–0.7	4.5	12.7	14.6	11.2
Inflation, p.a. (annual growth)	1.6	6.6	11.0	3.0	3.2	3.6	3.5	3.6
MENAP oil importers								
Real GDP (annual growth)	4.9	6.8	5.3	4.2	4.0	2.0	2.1	3.3
Current Account Balance	–0.8	–2.5	–4.1	–4.8	–3.1	–3.5	–5.2	–4.4
Overall Fiscal Balance	–4.5	–5.2	–5.6	–5.0	–5.6	–7.0	–7.8	–7.4
Inflation, p.a. (annual growth)	4.5	7.1	13.0	10.2	8.5	9.9	9.7	9.2
MENA[1]								
Real GDP (annual growth)	5.5	5.7	4.5	2.6	5.0	3.3	5.3	3.6
Current Account Balance	10.0	14.5	15.3	2.6	7.7	14.2	12.2	10.6
Overall Fiscal Balance	3.9	7.7	8.4	–2.8	0.2	2.5	2.5	1.4
Inflation, p.a. (annual growth)	5.9	10.2	14.6	6.2	7.0	9.8	10.9	9.5
MENA oil importers								
Real GDP (annual growth)	4.7	6.7	6.1	4.9	4.3	1.4	1.2	3.3
Current Account Balance	–1.3	–1.8	–2.8	–4.6	–3.6	–5.2	–6.9	–5.8
Overall Fiscal Balance	–5.3	–5.1	–4.8	–5.2	–5.6	–7.5	–8.7	–7.7
Inflation, p.a. (annual growth)	4.2	6.7	13.6	7.3	8.0	7.9	9.0	8.8
Memorandum								
Arab countries in transition (excl. Libya)								
Real GDP (annual growth)	4.6	6.0	6.3	4.5	4.7	1.2	2.0	3.6
Current Account Balance	1.1	–1.1	–2.5	–3.9	–3.3	–4.9	–5.4	–4.6
Overall Fiscal Balance	–5.2	–5.5	–5.2	–5.7	–6.0	–8.0	–9.1	–8.0
Inflation, p.a. (percent)	4.7	7.1	14.0	7.7	8.4	7.9	7.8	8.6

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

[1]2011–13 data exclude Syrian Arab Republic.

MENAP: (1) Oil exporters: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen; (2) Oil importers: Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, Syria, and Tunisia; (3) Arab countries in transition: Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen.

MENA: MENAP excluding Afghanistan and Pakistan.

Note: Data refer to the fiscal year for the following countries: Afghanistan and Iran (March 21/March 20), Qatar (April/March), and Egypt and Pakistan (July/June).

منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان: مؤشرات اقتصادية مختارة، ٢٠٠٠–٢٠١٣

(% من إجمالي الناتج المحلي، ما لم يذكر خلاف ذلك)

	متوسط						توقعات	
	٢٠٠٠–٢٠٠٦	٢٠٠٧	٢٠٠٨	٢٠٠٩	٢٠١٠	٢٠١١	٢٠١٢	٢٠١٣
منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان[1]								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٥,٤	٥,٨	٤,٤	٢,٦	٤,٨	٣,٣	٥,١	٣,٦
رصيد الحساب الجاري	٩,٢	١٣,١	١٣,٧	٢,٠	٧,٠	١٣,٢	١١,٢	٩,٧
رصيد المالية العامة الكلي	٣,١	٦,٢	٦,٦	٣,٠–	٠,٤–	١,٥	١,٥	٠,٤
التضخم، متوسط سنوي (النمو السنوي)	٥,٩	٩,٩	١٤,٣	٧,٣	٧,٣	١٠,٣	١٠,٩	٩,٥
البلدان المصدرة للنفط في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٥,٨	٥,٣	٤,٠	١,٧	٥,٣	٣,٩	٦,٦	٣,٨
رصيد الحساب الجاري	١٣,٤	١٨,٦	١٩,٧	٤,٨	١١,٠	١٨,٧	١٦,٤	١٤,٢
رصيد المالية العامة الكلي	٧,٤	١٢,٤	١٣,٣	١,٨–	٢,٥	٥,٩	٦,١	٤,٤
التضخم، متوسط سنوي (النمو السنوي)	٦,٧	١١,٥	١٥,٠	٥,٧	٦,٦	١٠,٤	١١,٥	٩,٧
***منها*: دول مجلس التعاون الخليجي**								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٥,٧	٥,٣	٦,٣	٠,٢–	٥,٥	٧,٥	٥,٥	٣,٧
رصيد الحساب الجاري	١٥,٤	١٩,٩	٢٢,٧	٧,٥	١٤,٤	٢٤,١	٢٣,٦	٢١,١
رصيد المالية العامة الكلي	١١,٥	١٧,٩	٢٤,٨	٠,٧–	٤,٥	١٢,٧	١٤,٦	١١,٢
التضخم، متوسط سنوي (النمو السنوي)	١,٦	٦,٦	١١,٠	٣,٠	٣,٢	٣,٦	٣,٥	٣,٦
البلدان المستوردة للنفط في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٤,٩	٦,٨	٥,٣	٤,٢	٤,٠	٢,٠	٢,١	٣,٣
رصيد الحساب الجاري	٠,٨–	٢,٥–	٤,١–	٤,٨–	٣,١–	٣,٥–	٥,٢–	٤,٤–
رصيد المالية العامة الكلي	٤,٥–	٥,٢–	٥,٦–	٥,٠–	٥,٦–	٧,٠–	٧,٨–	٧,٤–
التضخم، متوسط سنوي (النمو السنوي)	٤,٥	٧,١	١٣,٠	١٠,٢	٨,٥	٩,٩	٩,٧	٩,٢
منطقة الشرق الأوسط وشمال إفريقيا[1]								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٥,٥	٥,٧	٤,٥	٢,٦	٥,٠	٣,٣	٥,٣	٣,٦
رصيد الحساب الجاري	١٠,٠	١٤,٥	١٥,٣	٢,٦	٧,٧	١٤,٢	١٢,٢	١٠,٦
رصيد المالية العامة الكلي*	٣,٩	٧,٧	٨,٤	٢,٨–	٠,٢	٢,٥	٢,٥	١,٤
التضخم، متوسط سنوي (النمو السنوي)	٥,٩	١٠,٢	١٤,٦	٦,٢	٧,٠	٩,٨	١٠,٩	٩,٥
البلدان المستوردة للنفط في الشرق الأوسط وشمال إفريقيا								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٤,٧	٦,٧	٦,١	٤,٩	٤,٣	١,٤	١,٢	٣,٣
رصيد الحساب الجاري	١,٣–	١,٨–	٢,٨–	٤,٦–	٣,٦–	٥,٢–	٦,٩–	٥,٨–
رصيد المالية العامة الكلي	٥,٣–	٥,١–	٤,٨–	٥,٢–	٥,٦–	٧,٥–	٨,٧–	٧,٧–
التضخم، متوسط سنوي (النمو السنوي)	٤,٢	٦,٧	١٣,٦	٧,٣	٨,٠	٧,٩	٩,٠	٨,٨
للتذكرة								
بلدان التحول العربي (باستثناء ليبيا)								
إجمالي الناتج المحلي الحقيقي (النمو السنوي)	٤,٦	٦,٠	٦,٣	٤,٥	٤,٧	١,٢	٢,٠	٣,٦
رصيد الحساب الجاري	١,١	١,١–	٢,٥–	٣,٩–	٣,٣–	٤,٩–	٥,٤–	٤,٦–
رصيد المالية العامة الكلي	٥,٢–	٥,٥–	٥,٢–	٥,٧–	٦,٠–	٨,٠–	٩,١–	٨,٠–
التضخم، متوسط سنوي (النمو السنوي)	٤,٧	٧,١	١٤,٠	٧,٧	٨,٤	٧,٩	٧,٨	٨,٦

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

[1] بيانات ٢٠١١–٢٠١٣ لا تتضمن الجمهورية العربية السورية.

تشمل منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان: (١) البلدان المصدرة للنفط: الجزائر والبحرين وإيران والعراق والكويت وليبيا وعُمان وقطر والمملكة العربية السعودية والإمارات العربية المتحدة واليمن؛ (٢) البلدان المستوردة للنفط: أفغانستان وجيبوتي ومصر والأردن ولبنان وموريتانيا والمغرب وباكستان والسودان وسوريا وتونس. (٣) بلدان التحول العربي: مصر والأردن وليبيا والمغرب وتونس واليمن.

بلدان الشرق الأوسط وشمال إفريقيا (MENA): مجموعة البلدان التي تضم بلدان الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان (MENAP)، باستثناء أفغانستان وباكستان.

ملحوظة: تشير البيانات إلى السنوات المالية لكل من البلدان التالية: أفغانستان وإيران (٢١ مارس/ ٢٠ مارس)، وقطر (إبريل/مارس)، ومصر وباكستان (يوليو/يونيو).

ومن شأن توسيع نطاق الإصلاحات الهيكلية، بما في ذلك الحد من القيود على التجارة الدولية في الخدمات وإجراءات تخفيض عدم اتساق المهارات، أن يساعد أيضا في توفير فرص العمل في القطاع الخاص وتحقيق النمو الشامل.

البلدان المستوردة للنفط: إعادة الاستمرارية لأوضاع الاقتصاد الكلي وتسريع وتيرة النمو

حقق معظم بلدان التحول العربي تقدما في تنفيذ الإصلاحات السياسية خلال الشهور القليلة الماضية. وبينما استطاعت الحكومات المنتخبة مؤخرا أن تحافظ على استقرار الاقتصاد الكلي، تراجعت أرصدة المالية العامة والحسابات الخارجية. غير أن هناك إحجاما من جانب المستثمرين نظرا لاستمرار أجواء عدم اليقين المحيطة ببرامج السياسة الاقتصادية على المدى المتوسط في العديد من البلدان. وفي نفس الوقت، استمر ارتفاع أسعار الغذاء والوقود الدولية، وتدهور النشاط الاقتصادي لدى الشركاء التجاريين - لا سيما في أوروبا التي تربطها علاقات اقتصادية مهمة بعدد كبير من البلدان المستوردة للنفط. ونتيجة لذلك، شهد عام 2012 تراجعا ملحوظا في صادرات البلدان المستوردة للنفط في المنطقة، بينما استمر ارتفاع تكاليف الواردات. وبالإضافة إلى ذلك، هناك تحسن بطيء في معدل قدوم السائحين مقارنة بالانخفاض الشديد الذي حدث في عام 2011، ولا يزال الضعف يغلب على تدفقات الاستثمار الأجنبي المباشر الداخلة إلى هذه البلدان. ونتيجة لذلك، تظل هذه البلدان تواجه حالة من التباطؤ الاقتصادي في عام 2012، بمعدل نمو قدره 2% تقريبا. وبالنسبة لعام 2013، يُتوقع للنمو تحقيق تعافٍ قدره 3.25% تقريبا - وهو معدل أقل بكثير من المطلوب لمعالجة البطالة المزمنة والمتزايدة.

وإزاء تزايد المطالب الاجتماعية وتصاعد أسعار الغذاء والوقود، توسعت الحكومات توسعا كبيرا في الإنفاق على الدعم. كذلك انخفضت إيرادات الموازنة فتراجعت أرصدة المالية العامة عبر بلدان المنطقة بنسبة تراكمية قدرها 2.25% من إجمالي الناتج المحلي على مدار العامين الماضيين. ورغم أن سياسات المالية العامة التوسعية ساعدت على تخفيف الهبوط الاقتصادي، فقد كان تأثيرها محدودا. ذلك أن الزيادة الكبيرة في الدعم المعمم والأجور تم تحييد أثرها التنشيطي على الناتج بسبب الخفض الذي حدث في الاستثمار العام. وبالإضافة إلى ذلك، أدى اعتماد الحكومات على التمويل المصرفي المحلي إلى تخفيض الائتمان المتاح للقطاع الخاص.

والمجال محدود أمام تقديم مزيد من الدفعات التنشيطية من المالية العامة. فمع ارتفاع مستوى الدين العام إلى أكثر من 70% من إجمالي الناتج المحلي، زادت مواطن الضعف التي تشوب المالية العامة، وقد تصل الديون إلى مسار لا يمكن الاستمرار في تحمله إذا حدث أي انحراف كبير عن المسار المالي المقرر أو تباطأ النمو بدرجة تفوق التوقعات أو حدث ارتفاع في أسعار الفائدة.

وفي نفس الوقت، حدث انخفاض حاد في الاحتياطيات الدولية الرسمية بسبب اتساع عجز الحسابات الجارية الخارجية، الذي تجاوز مستوياته المرتفعة بالفعل، فضلا على ضعف التدفقات الرأسمالية الداخلة، مما تسبب في زيادة القلق بشأن مدى كفاية هذه الاحتياطيات وتقليص الاحتياطيات الوقائية المتوافرة وتضييق حيز الحركة أمام السياسات لمعالجة أي هبوط في النشاط الاقتصادي. ورغم أهمية دور العوامل العارضة فإن عجز الحسابات الجارية الخارجية له دور هيكلي في بعض البلدان. ومن شأن الابتعاد عن استخدام أسعار الصرف كركيزة اسمية أن يتيح للسياسة النقدية حيزا أكبر للمساعدة في استعادة استقرار الأسعار والقدرة التنافسية والحفاظ عليهما.

وهناك حاجة ماسة لتحقيق نمو أقوى بما يحفز إنشاء فرص العمل ويعود بمنافع ملموسة على السكان. ولتحقيق هذا الهدف، من المهم أن تشرع الحكومات في تطبيق سياسات تهدف إلى إعادة الاستمرارية لأوضاع الاقتصاد الكلي وإصلاحات هيكلية تهدف إلى تحسين القدرة التنافسية وإرساء الدعائم لنموذج اقتصادي شامل. وبنفس القدر من الأهمية ينبغي وضع التدابير الكفيلة بتحقيق الاستقرار وتصميم الإصلاحات الهيكلية على النحو الذي يحد من الآثار المعاكسة على الفقراء وفئات المجتمع الضعيفة. وسوف يكون بناء توافق الآراء حول هذه التدابير من خلال استراتيجية نشطة للتواصل والحوار المجتمعي هو عامل رئيسي في كسب التأييد الواسع المطلوب لنجاح تنفيذها. ومن الواضح أن قيادة هذه الجهود هي مسؤولية البلدان بحد ذاتها، لكنها ستكون بحاجة إلى مساندة المجتمع الدولي عن طريق التمويل والدعم الفني وزيادة فرص النفاذ إلى أسواق التصدير.

أضواء على أهم الأحداث في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان

هناك تباين في آفاق الاقتصاد المتوقعة لمنطقة الشرق الأوسط وشمال إفريقيا. فمع ارتفاع معدلات النمو في معظم البلدان المصدرة للنفط لا تزال توقعات النشاط الاقتصادي مكبوحة في البلدان المستوردة للنفط.

ومن المتوقع أن تسجل البلدان المصدرة للنفط في المنطقة معدل نمو قوي في 2012، مما يرجع في المقام الأول لتعافي الاقتصاد الليبي بدرجة فاقت التوقعات بعد انتهاء الحرب. وفي دول مجلس التعاون الخليجي، يحتفظ النمو بمعدلات قوية تدعمها سياسات المالية العامة التوسعية والأوضاع النقدية التيسيرية. وبالنسبة لهذه البلدان، مثلما هو الحال في كل المنطقة، يتمثل التحدي على المدى المتوسط في توفير الوظائف الكافية في ظل سرعة النمو السكاني وارتفاع نسبة الشباب في مجموع السكان.

وتستمر حالة التباطؤ الاقتصادي التي شهدتها بلدان المنطقة المستوردة للنفط في عام 2011. ومن المتوقع أن يحقق الاقتصاد تعافيا متوسطا في عام 2013، لكنه يظل معرضا لازدياد المخاطر السلبية. وبالنسبة لبلدان التحول العربي، تؤثر التحولات السياسية الجارية على النمو. ومع تآكل معظم الهوامش الوقائية المتاحة من خلال السياسة الاقتصادية، تزداد الحاجة الماسة لاتخاذ إجراءات بشأن تحقيق استقرار الاقتصاد الكلي وتنفيذ الإصلاحات التي تستهدف النمو. وسوف يتعين على البلدان إنشاء شبكات أمان اجتماعي لحماية الفقراء وبناء توافق الآراء المطلوب حول بعض الخيارات المالية الصعبة والملحة، بينما ينبغي أن يشعر الناس بأن أعباء الإصلاح الاقتصادي يتحملها الجميع على أساس من المساواة.

البلدان المصدرة للنفط: زيادة القدرة على الصمود في مواجهة المخاطر وتوفير فرص العمل في القطاع الخاص

تمكنت البلدان المصدرة للنفط في المنطقة من استخدام العائدات الناتجة عن ارتفاع أسعار النفط للمحافظة على النمو رغم البيئة العالمية الضعيفة. وبالنسبة لهذه البلدان كمجموعة، من المتوقع أن يرتفع معدل النمو إلى ما يقرب من 6.5% في 2012 على خلفية قوة تعافي الاقتصاد الليبي بدرجة فاقت التوقعات، مع التنبؤ بعودته إلى معدل 4% تقريبا في 2013. وبالنسبة لمجلس التعاون الخليجي لا تزال معدلات النمو قوية بدعم من الأوضاع النقدية والمالية التيسيرية، وإن كان من المتوقع تباطؤها من 7.5% في 2011 إلى 3.75% في 2013 مع بلوغ الإنتاج النفطي مستوى الثبات.

ومن المتوقع أن تظل أسعار النفط أعلى من 100 دولار أمريكي للبرميل في 2012-2013. ونتيجة لذلك، يُنتَظر أن يظل فائض الحسابات الجارية المجمّعة للبلدان المصدرة للنفط في عام 2012 عند أعلى مستوياته التاريخية، وهو قرابة 400 مليار دولار أمريكي. غير أن هذه الفوائض تتأثر بالتغير في سعر النفط. فهبوط أسعار النفط بنسبة 10% يؤدي إلى انخفاض الفائض بمقدار 150 مليار دولار أمريكي تقريبا.

وفي سياق ارتفاع أسعار النفط وتزايد المطالب الاجتماعية، استمر التصاعد الحاد في الإنفاق الحكومي على الأجور والرواتب في معظم البلدان المصدرة للنفط خلال السنوات الأخيرة. ويعني هذا الإنفاق المكثف أن أسعار تعادل رصيد المالية العامة قد ارتفعت بمعدل أسرع من ارتفاع سعر النفط الفعلي ويتوقع أن يستمر ارتفاعها، الأمر الذي يزيد من مخاطر التعرض لصدمة سلبية في أسعار النفط. ورغم أن بلدانا كثيرة لديها هوامش الأمان الوقائية لمواجهة تقلبات أسعار النفط على المدى القصير، فإن مصدر الخطر الرئيسي لا يزال متمثلا في حدوث هبوط مستمر في أسعار النفط نتيجة زيادة التباطؤ في النشاط الاقتصادي العالمي.

ولتعزيز صلابة الاقتصاد في مواجهة انخفاضات أسعار النفط، وتحقيق درجة أكبر من العدالة بين الأجيال، يمكن أن تتحول سياسة المالية العامة بالتدريج إلى زيادة المدخرات القومية. وبالرغم من أن بعض البلدان المصدرة للنفط ذات الدخل المنخفض تواجه ضغوطا على موازناتها العامة وتواجه كذلك اختيارات صعبة عليها القيام بها، فإن دول مجلس التعاون الخليجي، حيث لا يزال موقف المالية العامة التوسعي ملائما في غياب ضغوط النشاط الاقتصادي المحموم، يمكن أن تخفف من وتيرة الإنفاق الحكومي، وخاصة على البنود التي يصعب سحب الإنفاق منها لاحقا، مثل ممارسات التعيين في القطاع العام، وهو ما يجذب العمالة بعيدا عن القطاع الخاص.

Région MOANAP: Principaux points

Les perspectives économiques de la région Moyen-Orient et Afrique du Nord sont mitigées. La plupart des pays exportateurs de pétrole affichent de vigoureux taux de croissance, tandis que les pays importateurs de pétrole sont confrontés à des perspectives moroses.

Les pays exportateurs de pétrole de la région devraient enregistrer une forte croissance en 2012, principalement en raison de la reprise post-conflit plus rapide que prévu en Libye. Dans les pays du Conseil de coopération du Golfe (CCG), la croissance reste robuste grâce à des politiques budgétaires expansionnistes et des conditions monétaires accommodantes. Pour ces pays, de même que pour la région de manière plus générale, le défi à moyen terme demeure la création en nombres suffisants d'emplois en direction d'une population jeune en croissance rapide.

Le ralentissement constaté en 2011 dans les pays importateurs de pétrole de la région persiste. Une reprise modérée est prévue pour 2013, mais elle est sujette à d'importants risques de dégradation. S'agissant des pays arabes en transition, les transitions politiques en cours pèsent aussi sur la croissance. La marge de manœuvre des autorités ayant été considérablement entamée, il devient de plus en plus urgent d'agir sur le front de la stabilisation macroéconomique et des réformes axées sur la croissance. Les pays devront mettre en place des filets de sécurité pour protéger les pauvres et dégager un consensus autour de choix budgétaires difficiles et urgents, tout en donnant à la population le sentiment d'une répartition équitable du poids des reformes économiques.

Pays exportateurs de pétrole : accroître la résilience et créer des emplois dans le secteur privé

Les pays exportateurs de pétrole ont pu mettre à profit la montée des cours du pétrole pour maintenir leur croissance dans une conjoncture mondiale défavorable. Pour le groupe dans son ensemble, la croissance devrait s'accélérer pour avoisiner 6½% en 2012 grâce à une reprise plus vigoureuse que prévu en Libye, et devrait retrouver un taux de près de 4% en 2013. Dans les pays du CCG, la croissance reste robuste, grâce à des politiques budgétaires et monétaires accommodantes, mais elle devrait tomber de 7½% en 2011 à 3¾% en 2013 en raison de la stagnation de la production pétrolière..

Le cours du baril pétrole devrait rester supérieur à 100 dollars en 2012–13. De ce fait, l'excédent extérieur courant combiné des pays exportateurs devrait se maintenir au niveau historique d'environ 400 milliards de dollars en 2012. Cet excédent est toutefois sensible à une variation des cours : un repli de 10% du cours du pétrole le réduirait de quelque 150 milliards de dollars.

Dans un contexte de flambée des cours et de revendications sociales grandissantes, les dépenses publiques en traitements et salaires se sont envolées dans la plupart des pays exportateurs de pétrole ces dernières années. Cette augmentation des dépenses signifie que le prix d'équilibre budgétaire a augmenté plus vite que le prix effectif du pétrole. Cette tendance est appelée à se poursuivre, ce qui accroîtrait la vulnérabilité en cas d' évolution défavorable des cours. Bien que de nombreux pays disposent des volants de sécurité nécessaires pour faire face à la volatilité à court terme du cours du pétrole, une baisse soutenue du cours qui résulterait d' un nouveau ralentissement de l'activité économique mondiale reste un risque important.

Pour accroître la résilience face à un repli du cours du pétrole et assurer une plus grande équité entre générations, la politique budgétaire peut progressivement renforcer l'épargne nationale. Certains pays exportateurs de pétrole à faible revenu se heurtent à des contraintes budgétaires et à des choix difficiles à court terme. Les pays du CCG, qui ont appliqué une politique budgétaire expansionniste à juste titre en l'absence de risques de surchauffe, pourraient diminuer le taux de croissance de leurs dépenses, notamment celles rigides à la baisse comme l'embauche dans le secteur public qui a tendance à affecter négativement l'emploi dans le secteur privé.

Un plus large éventail de réformes structurelles, y compris une réduction des restrictions au commerce international de services et des mesures visant à réduire l'inadéquation des compétences, contribuerait aussi à créer des emplois dans le secteur privé et à réaliser une croissance solidaire.

Pays importateurs de pétrole : rétablir la viabilité macroéconomique et accélérer la croissance

Au cours des derniers mois, la plupart des pays arabes en transition ont accompli des progrès dans la mise en œuvre de réformes politiques. Les gouvernements nouvellement élus ont préservé la stabilité macroéconomique, mais les soldes budgétaires extérieurs se sont détériorés. Étant donné l'incertitude entourant les programmes d'action à moyen terme dans de nombreux pays, les investisseurs restent prudents. Entre-temps, les prix internationaux de l'énergie et de l'alimentation ont continué d'augmenter, et l'activité économique des partenaires commerciaux s'est détériorée, notamment en Europe, région avec laquelle beaucoup de pays importateurs de pétrole entretiennent de solides liens économiques. De ce fait, les exportations des pays importateurs de pétrole de la région ont accusé un repli marqué en 2012, tandis que leur facture d'importation a continué de s'alourdir. En outre, la reprise du tourisme après l'effondrement enregistré en 2011 demeure lente et les investissements directs étrangers restent timides. En conséquence, ces pays continuent d'enregistrer un ralentissement économique en 2012, avec une croissance voisine de 2%. Pour 2013, la croissance devrait remonter aux environs de 3¼%, un taux nettement inférieur à ce qui est nécessaire pour résorber un chômage chronique et en hausse.

Face aux revendications sociales et à la hausse des prix des produits alimentaires et de l'énergie, les pouvoirs publics ont augmenté sensiblement les subventions. Les recettes budgétaires ont également diminué, et en conséquence les soldes budgétaires dans l'ensemble de la région se sont détériorés de 2¼% du PIB en termes cumulés durant ces deux dernières années. Si les relances budgétaires ont contribué à atténuer l'impact de la dégradation de la conjoncture, elles n'ont eu qu'un effet modeste sur l'activité économique : la forte augmentation des salaires et des subventions généralisées n'a été que partiellement compensée par une diminution des investissements publics, ce qui, par voie de conséquence a amoindri les effets positifs de la relance. En outre, le recours de l'État au financement bancaire intérieur a réduit l'accès du secteur privé au crédit.

Les possibilités d'engager une relance budgétaire supplémentaire sont limitées. La dette publique dépasse 70% du PIB en moyenne, et les budgets sont donc très vulnérables. Des dérapages budgétaires importants, une croissance plus lente que prévu ou une poussée des taux d'intérêt pourraient compromettre la soutenabilité de la dette.

Par ailleurs, les déficits des opérations extérieures courantes, qui étaient déjà élevés, se sont creusés. Conjugué à la faiblesse des entrées de capitaux, cela a provoqué un net tassement des réserves de change officielles. Cette situation suscite des inquiétudes quant à l'adéquation des niveaux de réserves de change, réduit les volants de sécurité, et restreint la marge de manœuvre des pouvoirs publics face à un ralentissement de l'activité économique. Sans négliger l'influence de facteurs conjoncturels, les déficits courants extérieurs sont structurels dans certains pays. Le fait de ne plus utiliser le taux de change comme point d'ancrage nominal peut permettre à une politique monétaire plus flexible de rétablir et de préserver la stabilité des prix et la compétitivité.

Il est urgent d'accélérer la croissance pour stimuler la création d'emplois et présenter à la population des résultats tangibles. Il importe à cette fin que les gouvernements prennent des mesures visant à rétablir la viabilité macroéconomique, et opèrent des réformes structurelles destinées à améliorer la compétitivité, pour jeter ainsi les bases d'un modèle économique plus solidaire. Il est tout aussi important que les mesures de stabilisation et les réformes structurelles soient conçues de manière à réduire au minimum les répercussions négatives sur les populations pauvres et vulnérables. Il sera essentiel d'obtenir un consensus autour de ces mesures en appliquant une stratégie de communication préventive pour recueillir la large adhésion nécessaire à leur bonne exécution. La responsabilité de cet effort incombe clairement aux pays eux-mêmes, mais ces derniers devront être soutenus par la communauté internationale, au moyen de concours financiers, d'assistance technique et d'un meilleur accès aux marchés d'exportation.

Région MOANAP: Principaux indicateurs économiques, 2000–13

(en pourcentage du PIB, sauf indication contraire)

	Moyenne						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MOANAP[1]								
PIB réel (croissance annuelle)	5.4	5.8	4.4	2.6	4.8	3.3	5.1	3.6
Solde des transactions courantes	9.2	13.1	13.7	2.0	7.0	13.2	11.2	9.7
Solde budgétaire global	3.1	6.2	6.6	–3.0	–0.4	1.5	1.5	0.4
Inflation annuelle (croissance annuelle)	5.9	9.9	14.3	7.3	7.3	10.3	10.9	9.5
Exportateurs de pétrole MOANAP								
PIB réel (croissance annuelle)	5.8	5.3	4.0	1.7	5.3	3.9	6.6	3.8
Solde des transactions courantes	13.4	18.6	19.7	4.8	11.0	18.7	16.4	14.2
Solde budgétaire global	7.4	12.4	13.3	–1.8	2.5	5.9	6.1	4.4
Inflation annuelle (croissance annuelle)	6.7	11.5	15.0	5.7	6.6	10.4	11.5	9.7
***dont :* Conseil de coopération du Golfe**								
PIB réel (croissance annuelle)	5.7	5.3	6.3	–0.2	5.5	7.5	5.5	3.7
Solde des transactions courantes	15.4	19.9	22.7	7.5	14.4	24.1	23.6	21.1
Solde budgétaire global	11.5	17.9	24.8	–0.7	4.5	12.7	14.6	11.2
Inflation annuelle (croissance annuelle)	1.6	6.6	11.0	3.0	3.2	3.6	3.5	3.6
Importateurs de pétrole MOANAP								
PIB réel (croissance annuelle)	4.9	6.8	5.3	4.2	4.0	2.0	2.1	3.3
Solde des transactions courantes	–0.8	–2.5	–4.1	–4.8	–3.1	–3.5	–5.2	–4.4
Solde budgétaire global	–4.5	–5.2	–5.6	–5.0	–5.6	–7.0	–7.8	–7.4
Inflation annuelle (croissance annuelle)	4.5	7.1	13.0	10.2	8.5	9.9	9.7	9.2
MOAN1								
PIB réel (croissance annuelle)	5.5	5.7	4.5	2.6	5.0	3.3	5.3	3.6
Solde des transactions courantes	10.0	14.5	15.3	2.6	7.7	14.2	12.2	10.6
Solde budgétaire global	3.9	7.7	8.4	–2.8	0.2	2.5	2.5	1.4
Inflation annuelle (croissance annuelle)	5.9	10.2	14.6	6.2	7.0	9.8	10.9	9.5
Importateurs de pétrole MOAN								
PIB réel (croissance annuelle)	4.7	6.7	6.1	4.9	4.3	1.4	1.2	3.3
Solde des transactions courantes	–1.3	–1.8	–2.8	–4.6	–3.6	–5.2	–6.9	–5.8
Solde budgétaire global	–5.3	–5.1	–4.8	–5.2	–5.6	–7.5	–8.7	–7.7
Inflation annuelle (croissance annuelle)	4.2	6.7	13.6	7.3	8.0	7.9	9.0	8.8
Pour mémoire								
Pays arabes en transition (hors Libye)								
PIB réel (croissance annuelle)	4.6	6.0	6.3	4.5	4.7	1.2	2.0	3.6
Solde des transactions courantes	1.1	–1.1	–2.5	–3.9	–3.3	–4.9	–5.4	–4.6
Solde budgétaire global	–5.2	–5.5	–5.2	–5.7	–6.0	–8.0	–9.1	–8.0
Inflation annuelle (croissance annuelle)	4.7	7.1	14.0	7.7	8.4	7.9	7.8	8.6

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

[1]Les données pour 2011–13 excluent la République arabe syrienne.

MOANAP : 1) Exportateurs de pétrole : Algérie, Arabie saoudite, Bahreïn, Émirats arabes unis, Iran, Iraq, Koweït, Libye, Oman, Qatar et Yémen; 2) Importateurs de pétrole : Afghanistan, Djibouti, Égypte, Jordanie, Liban, Maroc, Mauritanie, Pakistan, Soudan, Syrie et Tunisie; 3) Pays arabes en transition : Égypte, Jordanie, Libye, Maroc, Tunisie et Yémen.

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

Note : les données se rapportent à l'exercice budgétaire pour les pays suivants : Afghanistan et Iran (21 mars/20 mars), Qatar (avril/mars), et Égypte et Pakistan (juillet/juin).

1. MENAP Oil Exporters: Increase Resilience and Create Private-Sector Jobs

MENAP oil exporters have been able to use the proceeds from high oil prices to support growth in a weak global environment. Accommodative fiscal and monetary policies have been appropriate, but the focus can gradually shift toward bolstering national savings and improving intergenerational equity. In the face of oil revenue volatility, some countries have the means to absorb adverse shocks, but control of government spending is the main preemptive action that can be taken to prepare for the possibility that oil prices might fall and remain low. Fiscal reforms should include public-sector wage bill restraint, which, together with broader structural reforms, would promote private-sector employment.

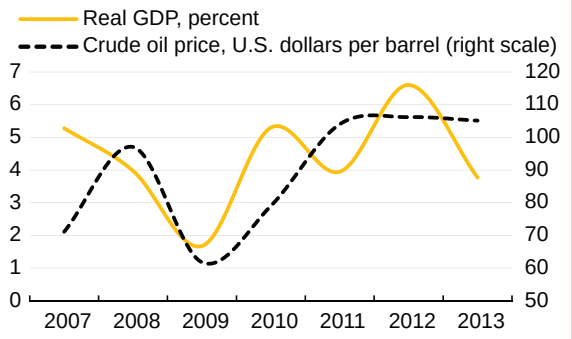
Oil GDP Growth Falling, Non-Oil GDP Growth Healthy

GDP growth in MENAP oil exporters is expected to rise to about 6½ percent in 2012 on the back of a strong, better-than-expected recovery in Libya (Box 1.1), and is forecast to return to 2011 growth rates of almost 4 percent in 2013 (Figure 1.1). In Iran, oil production declined, owing to tightened U.S. sanctions and the EU oil embargo, which took effect during the second half of 2012, lowering the country's growth outlook. GCC growth remains robust, but is expected to slow from 7½ percent in 2011 to 3¾ percent in 2013, mostly due to a tapering off of oil production.

Oil GDP growth in MENAP oil exporters is forecast to continue to decelerate to 1¼ percent in 2012 and turn negative in 2013 (Figure 1.2). In other sectors, government spending and accommodative monetary conditions are expected to keep economic growth at a healthy rate of almost 5 percent in 2012 and 2013, despite slow growth in Bahrain and negative growth in 2012 in Yemen due to political unrest. However, non-oil GDP growth rates are not expected to match those observed before 2009, reflecting in part the difficult global environment.

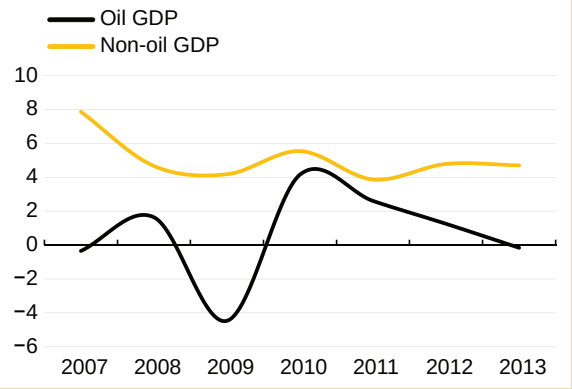
Oil prices are high, but have retreated from levels reached earlier in the year due to the restoration of supply from Libya, the expansion of output in Saudi Arabia and Kuwait (both of which continue to produce oil in record volumes), and weaker

Figure 1.1
2012 GDP Growth Boosted by Libya



Sources: National authorities; and IMF staff calculations.

Figure 1.2
Non-Oil GDP Growth Healthy
(MENAP oil exporters: oil and non-oil real GDP growth, percent)



Sources: National authorities; and IMF staff calculations.

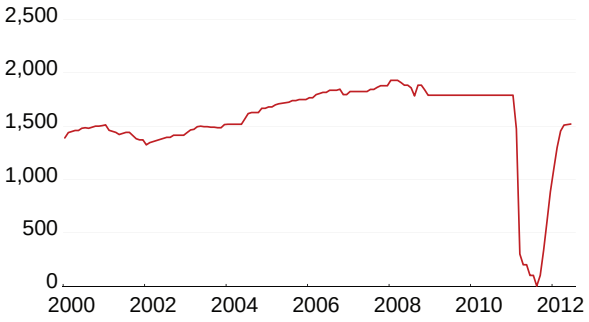
Prepared by Alberto Behar with input from country teams.

Box 1.1

Libya: Moving Beyond the Revolution

Libya's post-revolution recovery in hydrocarbon production has advanced faster than expected, reaching close to 90 percent of the preconflict level. Despite daunting challenges in the aftermath of the revolution, economic activity is recovering rapidly with the restoration of hydrocarbon production (see figure). As of June 2012, total hydrocarbon output reached more than 1.52 million barrels per day, up from an average of 166,000 barrels per day during the conflict period in 2011, and is expected to increase to the preconflict level by 2013. This faster-than-expected recovery has already given a momentous boost to Libya's hydrocarbon exports and raised the budget and current account surpluses. Non-resource sectors of the economy have also seen a broad-based turnaround, led by public spending on reconstruction and the release of pent-up private demand. As a result, real GDP is now projected to increase by a record-breaking 122 percent in 2012, after contracting by an estimated 60 percent in 2011. Predicated on an improvement in the security situation, economic growth is also expected to remain robust, at an estimated rate of 17 percent in 2013 and an average 7 percent per year in 2014–17.

Libya's Strong Recovery in Hydrocarbon Production
(Crude oil production, January 2000–June 2012, thousand barrels per day)



Source: U.S Energy Information Administration.

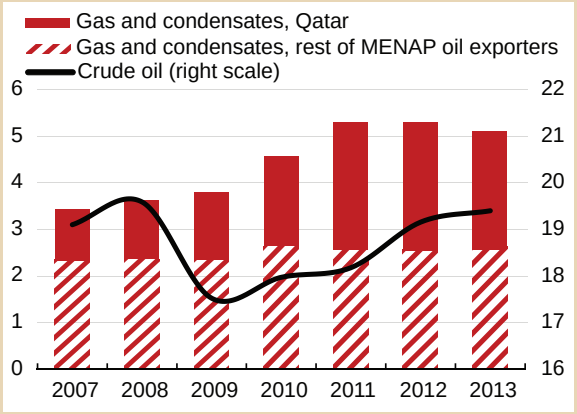
The economic outlook remains favorable, but is subject to some downside risks. Most of the UN sanctions that had frozen the country's foreign assets—a total of 200 percent of 2010 GDP—were lifted by the end of 2011, allowing the Central Bank of Libya to reaffirm the exchange rate peg, provide foreign exchange liquidity to banks, and help normalize banking operations. Increased hydrocarbon revenues will lead to a fiscal surplus of 19 percent of GDP and increase the current account surplus to 22 percent of GDP in 2012. The normalization of imports and transaction costs is expected to lower consumer price inflation from an annual average of 16 percent in 2011 to 10 percent in 2012 and about 1 percent in 2013, despite the upward pressure on domestic prices arising from supply bottlenecks in housing and transportation. Notwithstanding these favorable developments, intensifying strains in the global economy may exacerbate downside risks to growth, lowering petroleum prices and presenting additional challenges to Libya's hydrocarbon-dependent economy.

At a historic juncture, the authorities face the challenges of stabilizing the security situation, reducing political uncertainty, and responding to the aspirations of the revolution. Unlike other Arab countries in transition, Libya has no external financing need, thanks to its vast resource wealth. Although Libya's first elections in 60 years for the General National Congress were a successful step toward political normalization, the situation—with a fragmented political landscape and tribal rivalries—is likely to remain precarious, especially until the ratification of a constitution and parliamentary elections by mid-2013.

The immediate challenges in promoting inclusive growth are to normalize the security situation, reduce political uncertainty during the transition stage, and exercise fiscal discipline while maintaining macroeconomic stability. As a short-term response to the aspirations of the revolution, the interim government has raised wages and subsidies. Although Libya can afford elevated levels of current expenditures during a transitional period, the increase in wages and subsidies is eroding the country's fiscal buffers and undermining prospects for fiscal sustainability. Beyond the short term, however, Libya will need to address a wide spectrum of issues, including capacity-building and improving the quality of education, rebuilding infrastructure, developing its financial market, reducing hydrocarbon dependence, and putting in place an efficient social safety net. The country will also need to establish a governance framework to improve transparency and accountability to better manage its resource wealth and help promote private sector–led economic development.

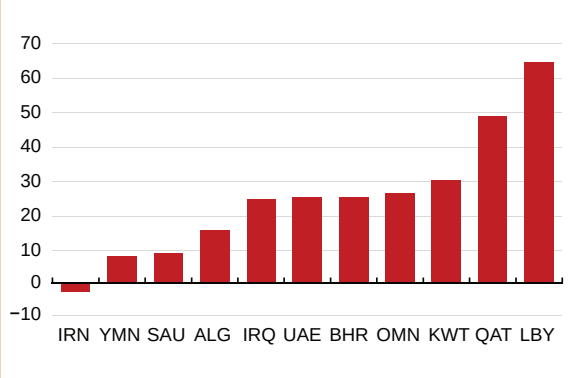
Prepared by Serhan Cevik, Ralph Chami, Joshua Charap, Ricardo Fenochietto, and Susan George. For a detailed assessment, see IMF (2012b).

Figure 1.3
Qatar Has Driven Gas Export Growth
(Crude oil and gas exports, millions of barrels or equivalent per day)



Sources: National authorities; and IMF staff calculations.

Figure 1.4
Government Wage Bills Rising Fast
(Real wages and salary expenditures, 2010–13, percent change, national currency deflated by CPI inflation)



Sources: National authorities; and IMF staff estimates.

global demand conditions. As oil production is restored in Libya and expands in Iraq, Saudi Arabia continues to have the capacity to maintain balance in global oil markets.

While crude oil export volumes in 2012 are expected to be at about the same level as in 2007, natural gas exports have risen substantially, most notably in Qatar (Figure 1.3). On aggregate for MENAP hydrocarbon exporters, natural gas export volumes comprise about one-fifth of hydrocarbon exports, but exceed crude oil export volumes in Algeria, Qatar, and Yemen. Despite a decline in gas prices in some markets, MENAP hydrocarbon exporters have benefited from selling gas at long-term contracted values indexed to the price of crude oil (Annex 1.1).

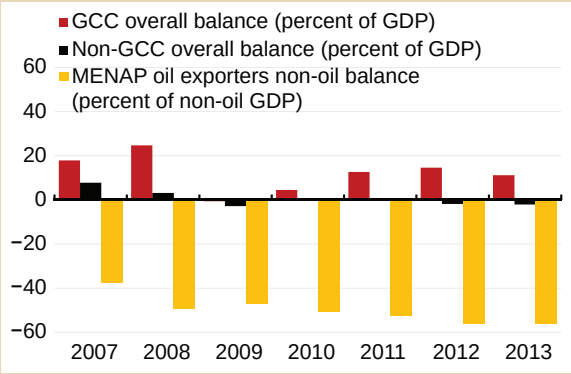
Wage Increases Weaken Public Finances

In the context of booming oil prices and social unrest, MENAP oil exporters have taken numerous measures that increase public-sector wage and social expenditures (IMF, 2011c, 2011d). These measures have contributed to dramatic accelerations in wage bills, many of which will only take full effect from 2012 onward (Figure 1.4).

In the majority of countries, wages have increased as a share of GDP since 2010. In non-GCC MENAP oil exporters, the share of wages in total government expenditure in 2011 was 10 percent higher than in 2010. At the same time, the share of capital spending has been declining. Buoyant government spending has resulted in the deterioration of non-oil fiscal balances and some overall fiscal balances, despite the high oil price (Figure 1.5).

In the GCC, the expansionary fiscal stance has been appropriate, given the need to support non-oil growth, the absence of signs of overheating, and, in many cases, the buildup of fiscal buffers and international reserves. However, given the sustained rise in non-oil primary deficits, analysis indicates that many GCC countries are spending at levels inconsistent with intergenerational equity, although this finding depends on uncertain factors, such as the future trajectory of oil prices and the returns on public investment (Box 1.2).

Figure 1.5
Fiscal Positions Have Deteriorated
(Fiscal balances)



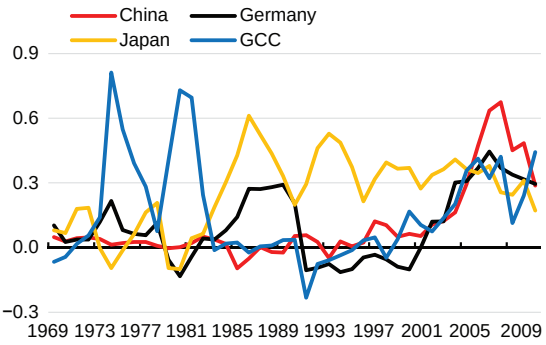
Sources: National authorities; and IMF staff calculations.

Box 1.2

What Is the 'Right' Surplus for the GCC?

GCC external surpluses have increased in recent years, renewing questions about the optimal policy response to these surpluses. While recent GCC external balances as a share of global GDP have been lower in recent years than those observed during the mid-1970s and early 1980s, they are, nonetheless, still sizable—amounting to about 0.4 percent of global GDP in 2011. In addition, in 2011, GCC external balances were higher than those of other large exporters, such as China, Germany, and Japan (Figure 1).

Figure 1
Current Account Balances, 1969–2011
(Percent of world GDP)



Sources: IMF (2012d); and IMF staff estimates.

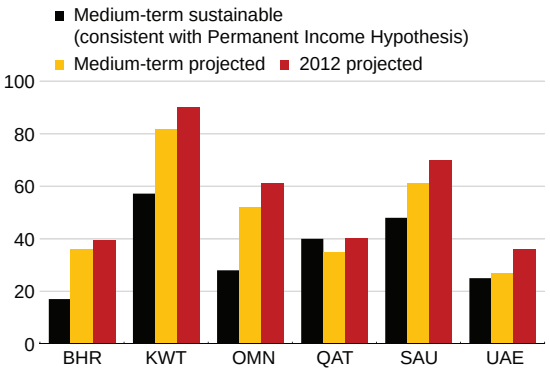
For the GCC, unlike other large exporters, fiscal and external surpluses are, to a large extent, "twin surpluses" that result from the exploitation of a nonrenewable natural resource. In addition, real effective exchange rates have been shown to have little influence on the current account balances of resource exporters.[1] Evaluating the size of GCC external surpluses therefore requires an assessment of the appropriateness of fiscal positions from a medium- to long-term perspective.

The Permanent Income Hypothesis (PIH) approach provides three key insights for GCC countries. First, they should run fiscal surpluses until the nonrenewable resource is exhausted (or the rate of exploitation declines) to finance future government expenditure. Second, fiscal surpluses should increase if the rate of depletion of the resource is brought forward in time (that is, to maintain stability in global oil markets), as GCC countries would just be transforming under-the-ground wealth into financial wealth. Third, transitory increases in the price of the resource should result in higher fiscal surpluses, as governments save part of the windfall for future generations. Fiscal surpluses would then translate into current account surpluses given the "twin surpluses" feature.

Whether fiscal surpluses in the GCC are too low or too high compared to PIH benchmarks is an empirical question that depends on a series of economic parameters of which knowledge is imperfect: the expected rate of return on financial assets, future population growth, the future trajectory of the price of the nonrenewable resource, and the size of hydrocarbon reserves. In addition, information is needed on the future return of government expenditures (that is, whether they will generate future non-oil tax revenues) and the extent to which the government prefers to accumulate precautionary savings; these two issues are discussed further below. Therefore the PIH benchmarks are indicative, and sensitivity tests should be conducted to assess their robustness.

Analysis based on a set of assumptions on the above-mentioned parameters suggests that fiscal surpluses are actually too low (for example, government expenditures are currently too high) for five of the six GCC countries when compared with the PIH benchmarks. As summarized in IMF (2011b), and discussed in more detail in recent IMF Article IV staff reports for the individual GCC countries, the PIH benchmarks suggest that, except in Qatar, there is a need, to varying degrees, for fiscal consolidation over the medium term (Figure 2).

Figure 2
GCC: Nonhydrocarbon Fiscal Primary Deficit
(Percent of nonhydrocarbon GDP)



Sources: National authorities; and IMF staff estimates.

Prepared by Pedro Rodriguez and May Khamis.
[1] See Arezki and Hasanov (2009).

Box 1.2 (*concluded*)

Some factors not captured in the PIH benchmarks could have some bearing on the results. For instance, the volatility of the price of the nonrenewable resource could call for even higher fiscal surpluses, as countries may want to have some additional "precautionary savings" to be prepared for a potential decline in the price of the resource.[2] Also, if public domestic spending or investment, which has increased substantially in the GCC, generates future returns by diversifying the economy and increasing taxes, then future fiscal deficits could be lower than implied by the PIH. This issue would be more important in economies that are capital-scarce and/or rely more on domestic taxation, which is not the case in the GCC.

The PIH benchmarks are medium- to long-term benchmarks, and GCC countries have—to varying degrees—room to move toward them gradually. Decisions on short-term fiscal surpluses will also depend on other factors, such as developments in economic activity and employment. Given these considerations, IMF surveillance has supported the countercyclical responses of the GCC countries to the global financial crisis. Nevertheless, the PIH suggests that current fiscal and external surpluses are not excessive once they are analyzed from a longer-term perspective, and that a prudent response in the medium term may be warranted.

[2] See Bems and Carvalho Filho (2009).

Non-GCC oil exporters are projected to post an overall deficit of almost 2 percent of GDP in 2012, which means that they are not converting their underground wealth into financial wealth. With the notable exception of Libya, which has the means to repair its war-damaged economy, these countries need to build buffers and save for the future.

A Sustained Large Drop in Oil Prices Is a Key Risk

The path of fiscal balances and GDP growth is subject to a number of external factors. Markets are assigning an upside tail-risk to oil prices on the basis of geopolitical uncertainty and potential resultant disruptions to global oil supplies. In contrast, the possibility of a more severe slowdown in the global economy could adversely affect MENAP oil exporters to varying degrees, mostly through its effect on energy prices (IMF, 2012d). A shock to the euro area remains the key concern. Analysis indicates that, for every 1 percent drop in euro area GDP, the shock would reduce MENAP oil exporters' GDP by an estimated ⅓ percent during the first year (Annex 1.2; Box 1.3).

The most important implication of a further decline in global economic activity would be a likely sustained large drop in hydrocarbon prices. In general, short-lived fluctuations in the oil price are less of an issue for MENAP gas exporters, due to the long-term nature of their contracts (Annex 1.1). Lower hydrocarbon prices received by oil or gas exporters would be reflected mainly in their fiscal and current account balances, given that many countries have the reserves to maintain countercyclical spending to support economic activity.

For the GCC, the impact of a sustained decline in the oil price on its fiscal balance would be large. In Figure 1.6, the line represents the fiscal balance under the actual and IMF forecast oil price. The shaded area represents the impact of high- and low-price scenarios on the fiscal balance, allowing for a domestic policy response, but assuming no change in hydrocarbon production. The impact of a drop in the oil price would be larger than the impact of an increase of equal magnitude, and there is a one-in-six probability of turning a healthy fiscal surplus into a fiscal deficit as early as 2013. In the event of large but short-lived oil price fluctuations, all GCC countries, except Bahrain, would be able to maintain a countercyclical stance. However, a sustained drop in the oil price would require more deliberate fiscal adjustment.

For non-GCC oil exporters, a US$10 per barrel drop in the average 2012 oil price would reduce the fiscal balance by almost 6 percentage points of GDP in the absence of a domestic policy response.

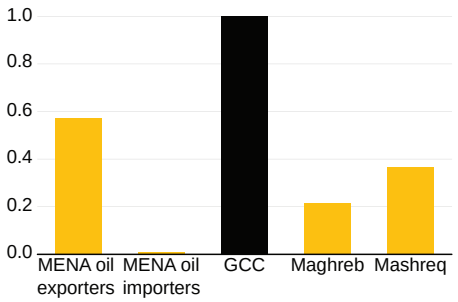
Box 1.3

Outward Spillovers from a GDP Shock in the GCC Region

Outward spillovers from a GDP shock in the GCC countries—the MENA region's largest economies—are important for this group's neighboring economies. A Global Vector Autoregression (GVAR) model is used to examine the sensitivity of other MENA countries to economic developments in the GCC region. This approach uses a dynamic multi-country framework for the analysis of the international transmission of shocks and is based on the model of Cashin and others (2012), and Cashin, Mohaddes, and Raissi (2012).[1]

The results show that output shocks in the GCC matter, particularly for the immediate MENA region, but also have global implications. A one percent increase in the GDP of the GCC region generates significant output gains in MENA oil exporters and the Mashreq countries (Egypt, Jordan, Syria), corresponding to about 0.55 and 0.40 percent after one year, respectively. The shock also has a moderate effect on the Maghreb countries (Algeria, Libya, Mauritania, Morocco, Tunisia), with the average effect being 0.20 percent (see figure).

Responses of Output to a Positive GDP Shock in the GCC Region
(Percent change)



Source: Cashin, Mohaddes, and Raissi (2012).

Output spillovers from the GCC to the MENA region are transmitted via trade, remittances, foreign direct investment, and commodity price channels. As an example, the macroeconomic situation in Jordan is closely tied to those of other countries in the Middle East. Remittances from Jordanians working in the region are an important source of national income (equivalent to 15–20 percent of GDP); the Persian Gulf region is the primary destination for Jordanian exports, and, in turn, supplies most of Jordan's energy; furthermore, the country receives substantial grants and foreign direct investment from other states in the region.

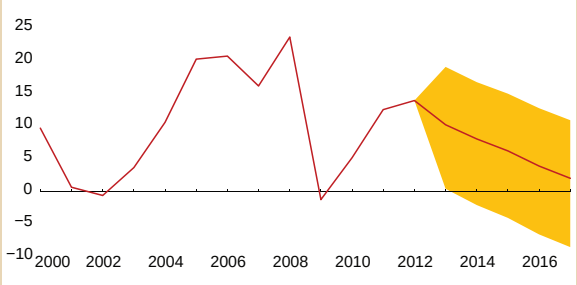
The output of the GCC affects, and is affected by, the global economy. Specifically, the oil market provides an important channel of impact. For example, Saudi Arabia, a GCC country, is currently the largest oil exporter in the world and is at present the only producer with significant spare capacity that can be used to stabilize global energy markets. While the level of oil supply from the GCC has significant macroeconomic effects on developed and emerging economies, including those in MENA, raising the prospects for global growth also has important effects on the demand for oil and, hence, on the economic performance of the GCC. Given a near-vertical global oil supply curve, any increase in output in the GCC region is mainly induced by rising oil prices. This increase coincides with higher outputs in advanced economies and emerging Asia, reflecting a demand-driven oil price spike, and higher GDP levels in other commodity producers.[2]

Prepared by Paul Cashin, Kamiar Mohaddes, and Mehdi Raissi.
[1] See Annex 1.3; and Cashin and others (2012), Cashin, Mohaddes, and Raissi (2012), and Mohaddes and Raissi (2011), for additional details.
[2] See IMF (2012c).

However, these countries' reserves are generally not as large as those of the GCC, so an immediate policy response would most likely be needed.

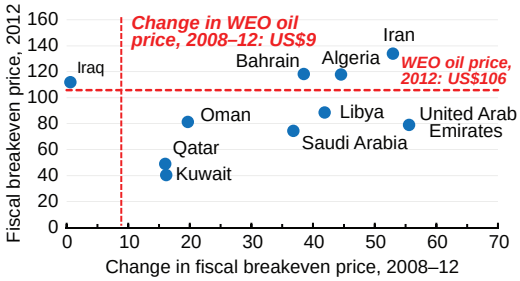
In general, the response to a sustained drop in the price of oil should be to curtail current expenditures, while protecting the poor, before reviewing capital expenditure plans. Actions could include the following: Yemen could rationalize nonessential expenditures, but international economic assistance is crucial; Algeria could contain current expenditures; and Iran is already

Figure 1.6
Fiscal Balances Sensitive to Oil Prices
(GCC overall fiscal balance, 2000–17, percent of GDP)



Sources: National authorities; and IMF staff estimates.
Note: Shaded area shows fiscal balance for the oil price up to US$28 per barrel (one standard deviation) higher or lower than the forecast oil price.

Figure 1.7
Fiscal Vulnerability Rising
(U.S. dollars per barrel)[1]



Sources: National authorities; and IMF staff calculations.
[1]Yemen fiscal breakeven, 2012: US$237 per barrel.

consolidating spending in response to lower oil export volumes. While past windfall savings provide some buffers, Iran would need to make further spending reductions if prices also fell, but should safeguard capital expenditure. The tendency to underexecute spending could act as a natural buffer in Iraq, but care should be taken that underexecution does not fall disproportionately on capital spending.

Expenditure Restraint Would Increase Resilience

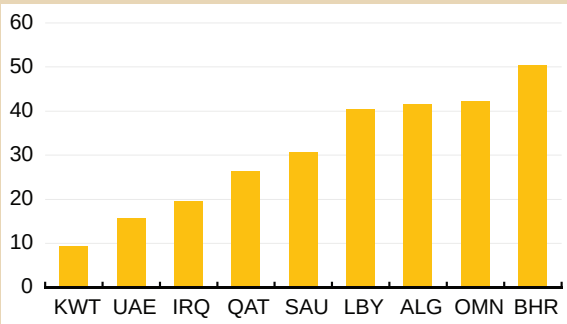
Consistent with their projected fiscal deficit, many non-GCC oil exporters are expected to face a 2012 fiscal breakeven price (the oil price at which the fiscal balance is zero) that is higher than the actual oil price. Most countries have allowed their fiscal breakeven price to rise faster than the actual oil price in recent years, which has rendered them increasingly vulnerable to a decline in the oil price (Figure 1.7). Spending pressures are expected to drive fiscal breakeven prices even higher over the medium term, which would further increase vulnerability.

Nonetheless, the path of future oil prices is highly uncertain, especially over the medium term. Simulations of future oil price volatility indicate that most MENAP oil exporters have a greater than 20 percent chance of the actual oil price being below the forecast fiscal breakeven price in 2017 (Figure 1.8). If, in addition, the expected downward trajectory in oil prices (implied by futures markets) is taken into account, the medium-term vulnerability is more acute.

Therefore, even if no adverse shock is realized immediately, the need to reduce vulnerability to a potential shock strengthens the case for a preemptive move toward fiscal sustainability and, in some countries, the building of necessary buffers. This calls for sequencing of capital projects with a low rate of return in some countries, and renewed attention to inefficient and hard-to-reverse expenditures.

While progress has been made in the GCC, more can be done by all MENAP oil exporters to develop and adopt medium-term budgeting and fiscal

Figure 1.8
Probability that Oil Price Falls Below Fiscal Breakeven Price
(2017 projection, percent)



Source: Caceres and Medina (2012).

frameworks, including the possible introduction of a fiscal rule. A medium-term horizon helps prevent volatile annual revenues from translating into expenditure fluctuations that can destabilize the economy and reduce the quality of government spending. It also helps improve budget execution, facilitates resistance to wage pressures, promotes the saving of oil proceeds for future generations, and provides resources for responding to shocks.

Current Account Surpluses Sensitive to Oil Price

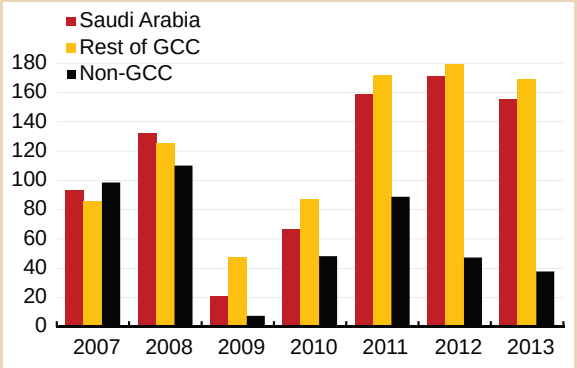
MENAP oil exporters' combined current account surplus is expected to reach a near-record high of about US$400 billion in 2012 (Figure 1.9). This surplus is projected to be partially offset by net financial outflows of about US$160 billion to sovereign wealth funds and other destinations. The resultant balance of payments surplus is partly reflected in gross reserves, which are expected to increase by about US$210 billion between 2011 and 2012. However, these numbers are highly sensitive to changes in the oil price—at 2012 hydrocarbon export volumes and assuming no domestic policy response, a 10 percent drop in the oil price would reduce MENAP oil exporters' surplus by almost US$150 billion.

Inflation Developments Mixed

Large balance of payments surpluses generated by commodity-price booms can present liquidity management problems, which—together with wage increases also often observed in commodity-price booms—can engender demand-driven inflation. However, as the experience of MENAP oil exporters shows, inflation outcomes are still heavily driven by country-specific policies.

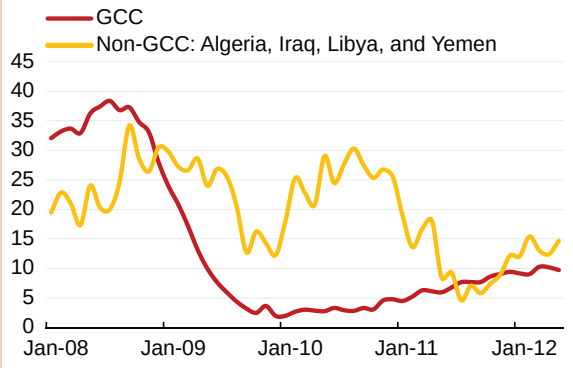
In the GCC, monetary aggregates have generally expanded at a slower pace than reserve accumulation. Broad money growth and private-sector credit growth have increased, but are still below historical growth rates (Figure 1.10). The performance of the real estate sector has varied across the GCC, but is expected to remain muted, and the overall global inflationary environment has generally been benign, despite recent increases in some food and other commodity prices. Less procyclical fiscal policy has contributed to GDP growth rates that are lower than during previous oil price booms (Figure 1.11). Therefore, GCC inflation is expected to remain below 4 percent in 2012 and 2013 (and below the rates observed during previous booms).

Figure 1.9
Large Current Account Surpluses
(Current account balances, billions of U.S. dollars)



Sources: National authorities; and IMF staff calculations.

Figure 1.10
Credit Growth Rising
(Credit to the private sector, annual percent change)



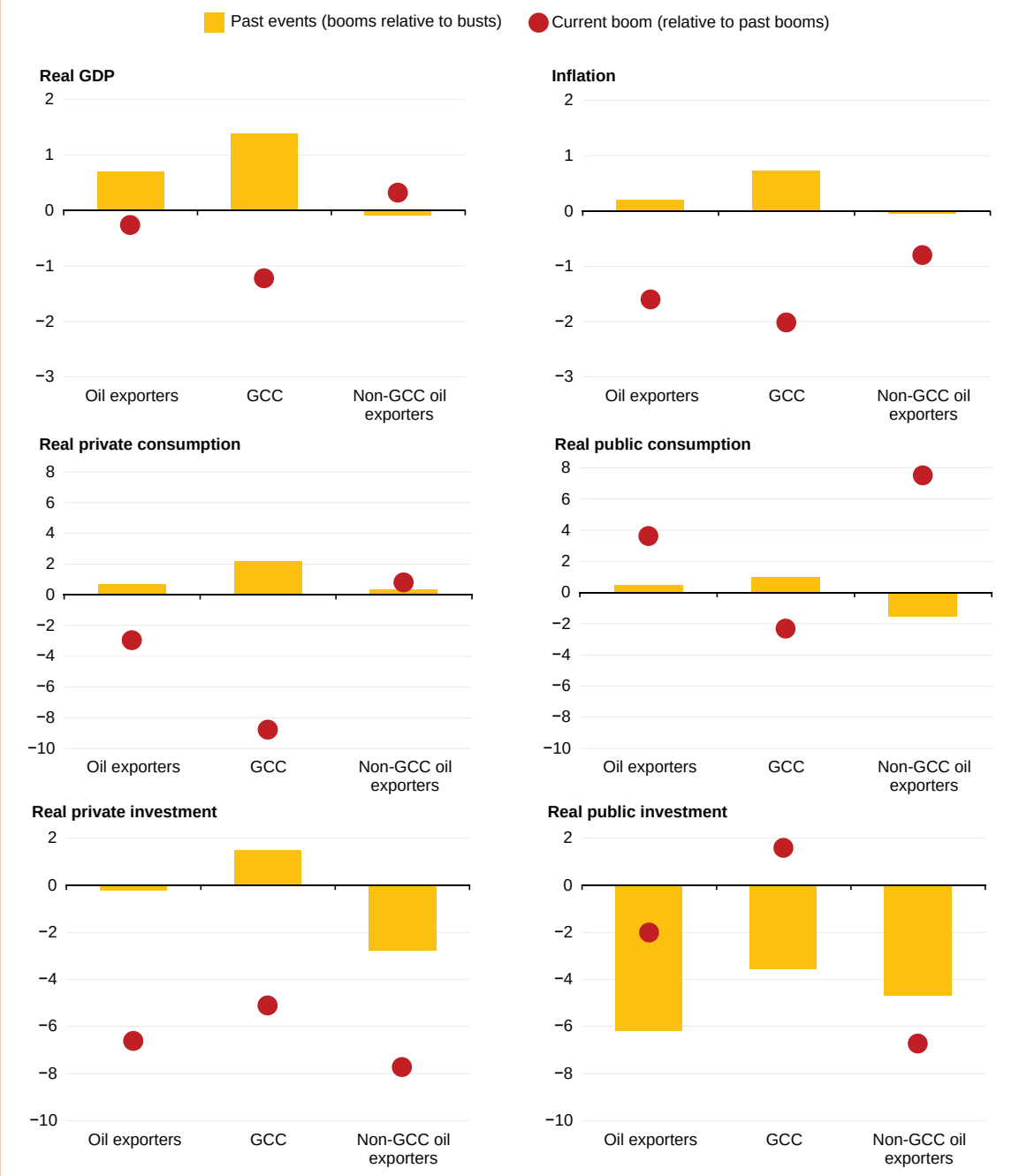
Sources: National authorities; and IMF staff calculations.

Figure 1.11

Event Study of Oil Prices, 1970–2012

(Median differences in average annual percent change)

This event study compares (i) average annual percent changes in the variable of interest during past oil booms with changes during past oil slumps; and (ii) changes during the current boom with changes during past booms. The study uses World Economic Outlook data for MENA countries for the period 1970 to 2012 (October), and demarcates oil price booms and slumps using the Bry-Boschan cycle-dating approach. As an example of interpretation, GCC real GDP growth typically accelerates by about 1.5 percentage points during booms vis-a-vis slumps, yet during the current boom, real GDP growth has fallen short of that achieved during past booms.



Sources: National authorities; and IMF staff calculations.

Outside the GCC, inflation rates are generally higher. In Algeria, inflation is projected at about 8½ percent for 2012 on account of higher gross reserves and back payments of civil-service wage increases that have led to excess liquidity. In Yemen, central bank financing of fiscal imbalances has often contributed to monetary growth and inflation. The depreciation of Iran's currency in the parallel market and sanctions-related increases in the cost of doing business are expected to raise the country's inflation rate in 2012. Iraq experienced rapid government-driven monetary growth in 2011, which is expected to continue, but the level of credit extension to the economy is still low and inflation there remains the lowest among the non-GCC oil exporters. In Libya, inflation is forecast to fall from its previous highs (Box 1.1).

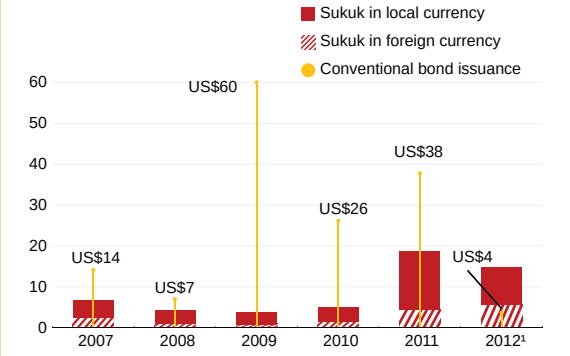
As a result, the accommodative monetary conditions in the GCC—which are largely the result of low interest rates in the United States, pegged exchange rates, and the absence of alternative monetary instruments—remain broadly appropriate. Should there be any signs of overheating in the future, fiscal tightening would be the most effective policy measure, supported by macroprudential policies. For the non-GCC oil exporters where it would otherwise persist, high inflation could be reduced by both monetary and fiscal policies. For example, Algeria's recent increase in reserve requirements could be complemented with various measures, such as higher interest rates and lower wage-bill growth.

Renewed Bond Issuance

Although credit expansion is to be welcomed in most cases, it should be accompanied by continued monitoring of financial system soundness and supervision of individual institutions, with a role for macroprudential tools to rein in excessive leverage in specific sectors. Regular issuance of government debt to establish a yield curve would help diversify financing channels and facilitate bank liquidity management. Further progress in building regulatory and transactional infrastructure would help develop local debt markets for corporate issuers.

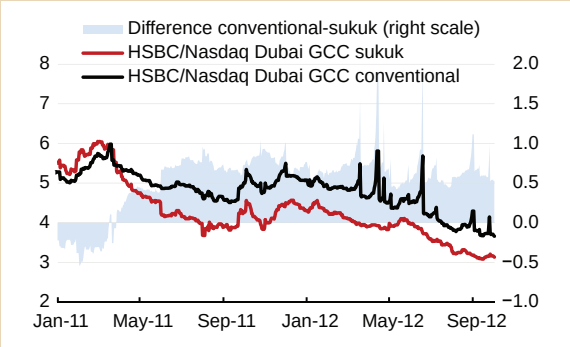
Such policy initiatives would leverage a favorable market environment (Box 1.4). Lower availability of term finance from international banks has coincided with elevated demand for Shariah-compliant securities among regional investors, resulting in increased issuance of sukuk by the GCC (Figure 1.12). GCC yields have been falling over the course of 2012 and yields on sukuk have been lower than those on conventional bonds since the beginning of 2011 (Figure 1.13). Finally, many MENAP oil exporters' stock market indices have risen since the beginning of 2012 (Figure 1.14).

Figure 1.12
GCC Sukuk Issuance Up
(Bond issuance, sukuk and conventional, billions of U.S. dollars equivalent)



Sources: Bloomberg; and Islamic Finance Information Service.
¹Cumulative issued and announced up to September 26, 2012.

Figure 1.13
GCC Bond Yields Down
(Percent)



Source: Bloomberg.

Box 1.4

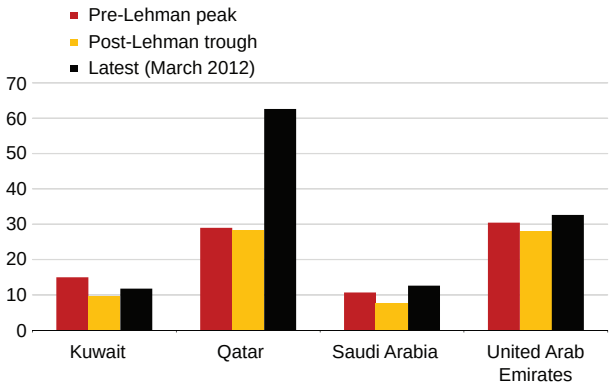
Financial Spillovers to MENAP Oil Exporters

Cross-border lending to the GCC has increased since the 2008 collapse of Lehman Brothers, except to Kuwait (Figure 1). The United Arab Emirates remains the top destination for foreign capital in the region, as Dubai's accelerated diversification into commercial and leisure real estate exceeded the capacity of the Emirates' banks. Since 2008, global banks have actually increased lending to the United Arab Emirates, notwithstanding already high exposures. However, recent lending has favored Abu Dhabi borrowers, many implicitly backed by the sovereign balance sheet, over Dubai. A disruption in global debt markets could attract renewed scrutiny to Dubai given the interplay of sovereign, banking, and corporate risks. Foreign banks have cut back on lending to Kuwait's investment companies, which borrowed to expand into foreign investments.

Figure 1

GCC: Lending by Global Banks

(Percent of 2008 GDP)



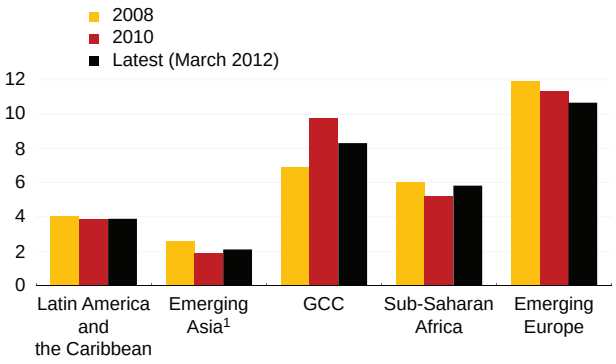
Sources: Bank for International Settlements; and IMF staff estimates.

Some signs of deleveraging by global banks may be found in longer-term finance to the GCC. The importance of lending with maturities above one year has declined since 2010, in contrast to other regions (Figure 2). The reluctance of international banks to finance new projects in the GCC is noteworthy, despite massive investments in infrastructure and energy-intensive industries. This has prompted GCC borrowers to turn to bond markets, either global or local (Chapter 1). The resurgence of sukuk issuance since 2011 shows that the switch to market-based finance is possible in a region long dominated by bank finance. The sharp pickup in bond finance suggests that European bank deleveraging has had only a muted impact on GCC projects.

Figure 2

Importance of Cross-Border Term Finance, 2008–12

(Claims with maturity longer than one year, percent of GDP)



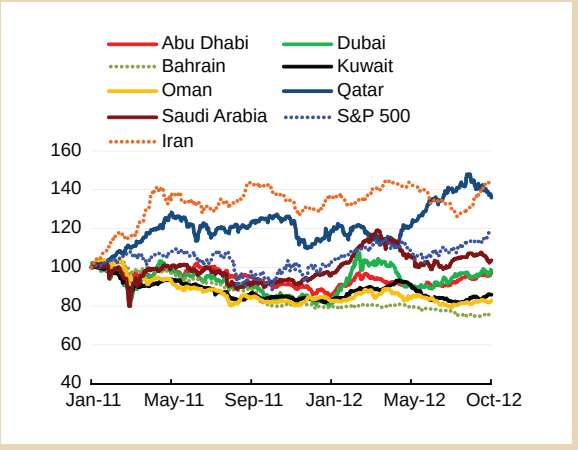
Sources: Bank for International Settlements; and IMF staff estimates.
[1]Excluding Australia, Japan, and New Zealand.

Prepared by Gabriel Sensenbrenner and Jaime Espinosa Bowen.

Reforms for More Inclusive Growth

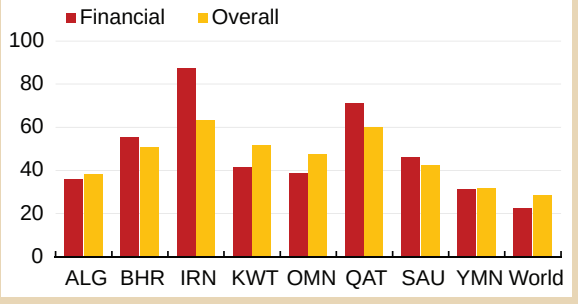
In addition to gradual fiscal consolidation, a number of structural and complementary reforms would boost inclusive growth. The non-GCC oil exporters should take steps to improve the general business environment, but all MENAP oil exporters need to reduce restrictions on international trade in services (Figure 1.15). Such restrictions reduce the pace and inclusiveness of growth by inhibiting competition

Figure 1.14
Stock Markets Have Made Gains in 2012
(Index; Jan. 1, 2011=100, Jan. 1, 2011–Oct. 2, 2012)



Source: Bloomberg.

Figure 1.15
MENAP Oil Exporters: Restricted International Trade in Services
(Services Trade Restrictions Index; 0 = open, 25 = virtually open, 50 = major restrictions, 75 = virtually closed, 100 = closed)

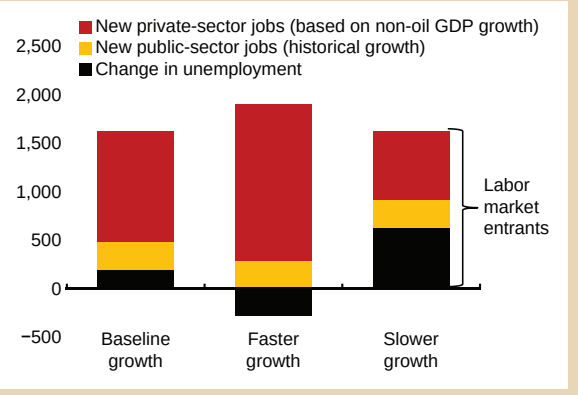


Sources: World Bank Services Trade Restrictions database; and Borchert, Gootiiz, and Mattoo (2012).

and access to basic services. For example, barriers to financial services trade are typically associated with reduced provision of credit.

Hand in hand with product market reforms, labor market reforms and measures to equip nationals with the skills required by private-sector employers would promote employment. Structural reforms will need to play an increasingly prominent role in employment creation; although high non-oil GDP growth rates have generated numerous jobs for nationals and expatriate workers in the past, job creation may be insufficient in the future.

Figure 1.16
Private-Sector Job Creation for GCC Nationals: High But Not Enough
(Thousands, 2009–15)[1]



Sources: National authorities; and IMF staff calculations.
[1]Bahrain, Oman, Kuwait and Saudi Arabia. Latest actual data in 2009.

For example, in the case of the GCC, past and forecast non-oil GDP growth rates are expected to generate more than 1 million private-sector jobs for GCC nationals between 2009 and 2015, amounting to two-thirds of the expected increase in the labor force of GCC nationals. To avoid an increase in unemployment, and assuming that this would be achieved by the public sector absorbing labor, public-sector employment would need to grow by 5 percent per year, which is above historical norms ("baseline growth" in Figure 1.16).

In addition, it would take growth rates in excess of forecast to absorb all nationals into the private sector. For example, annual non-oil GDP growth of an extra 2 percentage points would still require public-sector hiring to reduce unemployment ("faster growth" in Figure 1.16).

Moreover, a combination of external shocks—leading to annual non-oil GDP growth that is 2 percent lower than forecast—would place additional pressures on governments to accelerate public-sector hiring unsustainably or face a large rise in unemployment ("slower growth" in Figure 1.16).

As a short-term measure to reduce unemployment while reforms take hold, an appropriately targeted wage subsidy scheme could be effective in boosting

employment—at a fraction of the cost of paying a full public-sector wage (IMF, 2012a).

More than half of all young people in MENAP oil-exporting countries would currently rather work in the public sector than in the private sector, which leads them to seek qualifications geared to public-sector hiring at the expense of skills pertinent to the private sector. Therefore, containing expectations of future government employment would affect the education decisions of youth. Together with enhanced education and training systems and improved job placement services, this would help increase private-sector employment.

Measures aimed at increasing the proportion of nationals in the labor force have historically had limited success, but the lessons have been incorporated into more recent schemes, such as the Saudi *Nitaqat* and complementary initiatives, which aim to increase employment of nationals without raising the cost of doing business, especially for small firms. Recent attention to the integration of women in the labor market by Saudi Arabia and other countries is welcome.

Annex 1.1. The Natural Gas Market: Where Is It Heading?

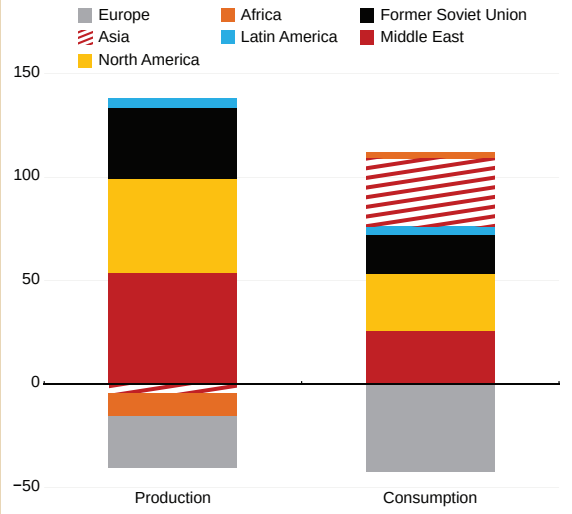
Middle East gas production is expected to grow rapidly enough to satisfy incremental demand, but not to make major additional contributions to export earnings. As a result of geographical gas price differences and some indexation of gas prices to crude oil prices, Middle East gas exporters have benefitted from high oil prices and generally not been adversely affected by declining gas prices and the decoupling from crude oil prices observed in some parts of the world. To the extent that indexation is via long-term contracts, MENAP-country gas prices would not be affected by short-term volatility in oil prices. Finally, a worldwide spread of the U.S. shale gas revolution could have an impact on gas prices, but the nascent nature of such exploration and the limited prospects for regional gas price convergence make this risk small in the medium term.

Natural Gas Supply Is Meeting Demand

The combination of surplus supply in 2009 and rapid production growth in 2010 were sufficient to account for incremental demand in 2010. In 2011, supply rose by 3 percent and demand grew by 2¼ percent (Figure 1). Liquefied natural gas (LNG) trade has transformed the natural gas market since 2009; it now constitutes one-third of all gas trade. The medium-term outlook for the global gas market points toward increased demand, which is expected to grow by about 17 percent during 2012–17 (IEA, 2012b).

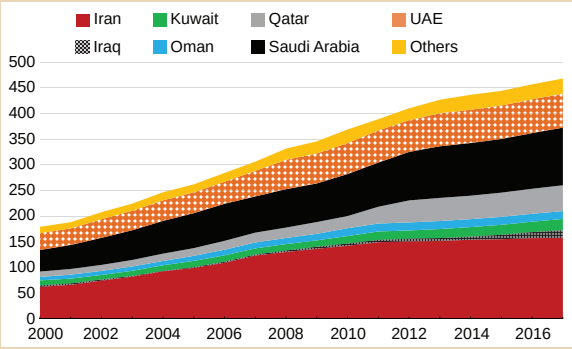
The Middle East[1] is a large consumer and producer of natural gas. Although the region holds about 41 percent of proven gas reserves, most of the gas produced in the region is also consumed there. Demand for gas in the region is expected to grow by 3 percent per year on average during 2011–17 (Figure 2). Middle East gas production growth is slowing, and the increase in production would go toward meeting incremental domestic demand—especially in Algeria, Egypt, Qatar, and Saudi Arabia—and not toward generating additional export earnings.

Figure 1
Natural Gas Market Production and Consumption Growth, 2011
(Annual change, billions of cubic meters)



Source: British Petroleum (2012).

Figure 2
Gas Consumption in the Middle East, 2000–17
(Billions of cubic meters)



Source: International Energy Agency (2012b).

Prepared by Ananthakrishnan Prasad and Ghada Fayad.

[1] According to the International Energy Agency classification, the Middle East comprises Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, and Yemen.

The Increasing Importance of Shale Gas

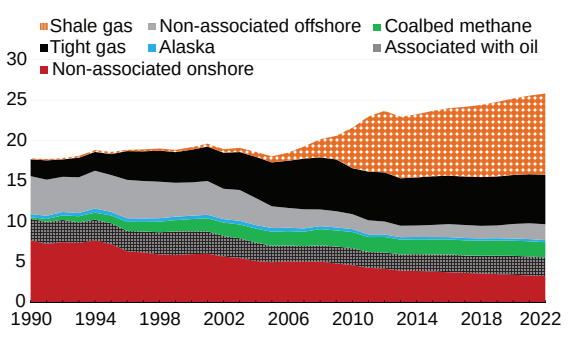
Over the longer term, the share of gas in the global energy mix could reach 25 percent in 2035, overtaking coal to become the second-largest primary energy source after oil (IEA, 2012a), if conditions allow for continued expansion of supply from unconventional sources. Unconventional gas represented 16 percent of global gas production in 2011, of which only one-third was shale gas. However, while other unconventional gas sources have been produced for two to four decades, vigorous exploration efforts for shale gas over the past decade have increased its output by a factor of 11, thus placing shale gas in the spotlight.

Increased application of advanced techniques (including "fracking") has expanded U.S. shale production (Figure 3), which is projected to triple to 13.6 trillion cubic feet per year in 2035 amidst environmental concerns. Despite its large shale reserves and ramping up of production, the United States is not expected to become a net exporter of natural gas until about 2022 (U.S. Energy Information Administration, 2012). Prospects for profitable exploration in other parts of the world are still nascent, and are projected to be somewhat limited over the next five years. Consequently, material contributions to global supply are only a long-term possibility (IMF, 2012d). In the Middle East, shale gas prospects appear to be best in Algeria and Libya.

Figure 3

U.S. Natural Gas Production, 1990–2022

(Trillions of cubic feet)

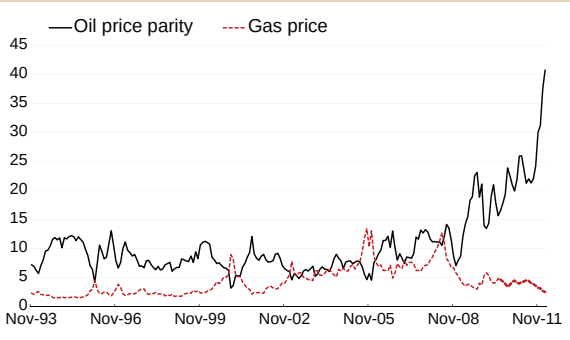


Source: U.S. Energy Information Administration (2012).

Figure 4

Natural Gas Henry Hub Spot Prices vs. Equivalent WTI Oil Prices

(U.S. dollars per million British thermal units)



Source: FRED database.

Benefits of Indexation to Oil, Regional Segmentation

The decoupling of U.S. oil and gas prices that began in 2009 has intensified since 2011 (Figure 4). Since 2009, the gap has significantly increased, with the oil price parity reaching a 20-year high of 40 in February 2012.

However, divergence is limited by indexation. About one-third of global retail gas consumption is priced on a spot basis, one-fifth is indexed to crude oil, 40 percent is subject to direct price regulation, and the remainder is sold domestically at subsidized prices (IEA, 2009). Wholesale contracts on Asian and European markets, which are important for many gas exporters in the Middle East, tend to be indexed to oil prices. As a result, many MENAP gas exporters have benefitted from high crude oil prices. Furthermore, the long-term nature of some of these contracts insulates gas prices from short-term oil price volatility, though very large or sustained declines in crude prices could trigger declines in gas prices.

However, significant expected changes in demand and supply patterns for both fuels are likely to make rigid contractual links between the prices of two diverging fuels unsustainable in future. Specifically, LNG markets are undergoing major structural supply and demand changes that are increasing the volume of globally traded LNG and influencing the gas share in global energy markets. Changes in international markets include booming Asian Pacific and sluggish European demand; shifts in the future of nuclear energy in many important countries; substitution out of coal-based energy to the more efficient and less (capital) costly gas-based energy; and developments in renewable energy and nonconventional gas production.

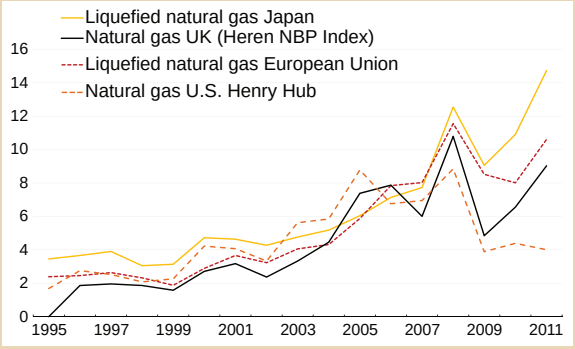
Unlike the global oil market, the global natural gas market remains largely segmented. Gas trade has been limited geographically within three main weakly related regional gas markets: Europe, North America, and Japan and South Korea. This segmentation has been the effect of a lack of pipeline infrastructure and little availability of LNG transport capacity.

Regional gas price differences that have emerged since the 2008 peak in gas prices are widening (Figure 5). Global contraction of demand, combined with the shale gas boom in the United States, had depressed global gas prices and resulted in strong convergence between spot prices (U.K. and U.S.) and an equally strong convergence between oil-linked prices (Japan and Europe) in 2009. However, the spot price convergence was short-lived. Since early 2010, U.K. spot prices came closer to European (oil-linked) prices, creating a large gap between U.S. spot prices and those in other markets. North American gas prices have continued on a declining trend, with Henry Hub U.S. prices reaching their lowest in a decade during the first half of 2012 (IEA, 2012b). Despite several developments, transition to a fully integrated global gas market like that for oil seems distant. Therefore, recent supply developments in the United States, or prospective developments in other regions, need not influence prices received by exporters from the Middle East.

Figure 5

Regional Natural Gas Prices

(U.S. dollars per million British thermal units)



Source: British Petroleum (2012).

Annex 1.2. Inward Spillovers to MENA Countries from a GDP Shock in G3 Countries

This annex analyzes inward spillovers from macroeconomic shocks in systemic economies (China, the euro area, and the United States) to the MENA region. A Global Vector Autoregression (GVAR) model is used to evaluate the nature and strength of economic linkages between globally systemic countries and the MENA region. Spillovers are transmitted across economies via trade, finance, remittances, foreign aid, foreign direct investment, and commodity price channels. The results show that MENA countries are becoming more sensitive to developments in China, in line with the direction of evolving trade patterns and the emergence of China in the global economy, while shocks originating in the euro area and the United States are still very important.

A GVAR model is used to determine the size and speed of the transmission of different output shocks to the Maghreb, Mashreq, and GCC regions. This approach uses a dynamic multi-country framework for the analysis of the international transmission of shocks, and is based on the model of Cashin and others (2012) and Cashin, Mohaddes, and Raissi (2012). The framework comprises 38 region-specific models (among which are a euro area region comprising eight of the 11 countries that joined the euro in 1999, and the GCC region). Together, these countries account for more than 90 percent of world economic output. These individual models are solved in a global setting where core macroeconomic variables of each economy are related to corresponding foreign variables (constructed exclusively to match the international trade pattern of the country under consideration). The model includes both real and financial variables: real GDP, inflation, the real equity price, the real effective exchange rate, short- and long-term interest rates, oil production, and the price of oil. While the model does not explicitly include all the transmission variables discussed above (remittances, foreign aid, and foreign direct investment), to the extent that developments in these variables are linked to movements in other variables that are included in the model, they can be considered to be covered in reduced form. All data are quarterly in frequency, for the period 1979Q2 to 2011Q2.

Output shocks emanating from globally systemic countries have important effects on the countries of the MENA region. The impact of negative U.S., euro area, and Chinese real output shocks on the MENA region are examined using the GVAR model, yielding the results set forth below. Despite the relatively low degree of integration of MENA into the global economy, MENA countries' narrow financial exposures to the rest of the world, and the limited impact on the MENA countries of the global financial crisis, shocks to China, the euro area, and the United States are found to have significant impacts on the MENA region.

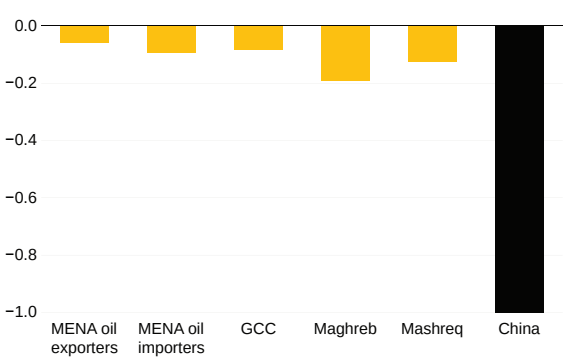
Shock to Chinese GDP

A one percent negative GDP shock in China affects the economies of oil exporters in the sample mainly through its impact on global demand for oil and on associated prices. The slowdown in China translates into lower overall economic growth for oil exporters in the region (Figure 1). Countries with large commodity export exposures to China are most vulnerable to a slowdown there, while those with more diversified economies suffer less.

The effects on the GDP of the GCC, Mashreq, and Maghreb countries are generally large (about 0.10, 0.15, and 0.20 percent after one year, respectively). MENA oil importers also suffer a decline in economic output, of about 0.12 percent after one

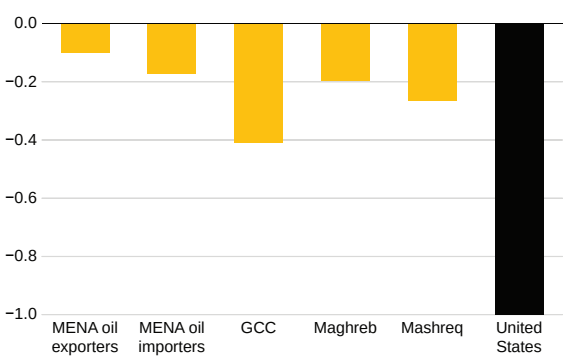
Prepared by Paul Cashin, Kamiar Mohaddes, and Mehdi Raissi.

Figure 1
Responses of Output to a Negative GDP Shock in China
(Percent change)



Source: Cashin, Mohaddes, and Raissi (2012).

Figure 2
Responses of Output to a Negative GDP Shock in the United States
(Percent change)



Source: Cashin, Mohaddes, and Raissi (2012).

year. This finding is somewhat to be expected, given the emergence of China as a key driver of the global economy over recent decades. This result may also explain the smaller-than-expected impact of the global financial crisis on MENA countries, as these economies were increasingly linked to the fast-growing Chinese economy.

Shock to U.S. GDP

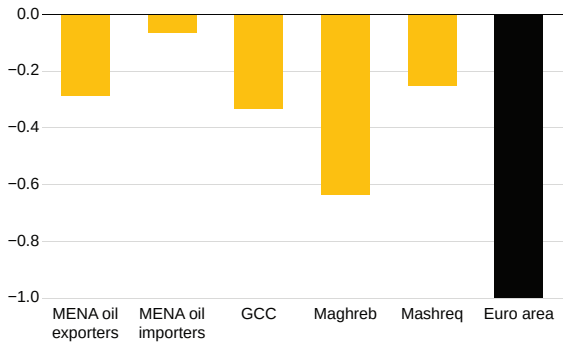
As a result of the dominance of the United States in the global economy, any slowdown there can cause negative spillovers to other economies, as the recent global economic crisis has shown. Furthermore, the continuing dominance of U.S. debt and equity markets, backed by the still-strong global role of the U.S. dollar, also plays an important role. The results of the GVAR model show that countries with substantial trade exposure to the U.S. economy have a relatively large sensitivity to U.S. economic developments (Figure 2). However, even countries that do not trade as much with the United States are influenced by its dominance through other partners' trade. Overall, the influence of the United States on other economies remains larger than direct trade ties would suggest, owing to third-market effects together with increased financial integration that tends to foster the international transmission of business cycles.

Lower demand for commodities is another channel through which a negative U.S. shock affects countries. In particular, about one-quarter of world oil demand emanates from the United States, so it is not surprising that, in response to the U.S. shock, both oil prices and production levels decline. The oil channel conveys a negative impact on MENA countries. For the GCC, responsible for about one-third of world oil exports, this effect is particularly large—real output declines as much as 0.40 percent after four quarters—but the effect is also large for both Maghreb (0.20 percent) and Mashreq (0.30 percent) countries.

Shock to Euro Area GDP

The adverse impact on output of a one-percent negative GDP shock in the euro area are most significant for Maghreb countries, reflecting their geographical proximity to the euro area, and the strength of their trade linkages with Europe (Figure 3). Maghreb countries rely heavily on Europe as a market for exports (nearly 60 percent

Figure 3
Responses of Output to a Negative GDP Shock in the Euro Area
(Percent change)



Source: Cashin, Mohaddes, and Raissi (2012).

of Maghreb exports are destined for Europe), as well as tourism, workers' remittances, and foreign direct investment.

Growth spillovers vary greatly from country to country. For the Maghreb countries, the highest dependencies are observed for Algeria and Tunisia (with annual output elasticities of more than one-half). In the case of Mashreq countries, the impact on Egypt and Jordan is more moderate due to their larger regional ties with the GCC. As for the region's oil exporters, a negative GDP shock in the euro area affects their economies mainly through its impact on oil prices and production, lowering their overall growth.

MENAP Oil Exporters: Selected Economic Indicators

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
Real GDP Growth	**5.8**	**5.3**	**4.0**	**1.7**	**5.3**	**3.9**	**6.6**	**3.8**
(Annual change; percent)								
Algeria	4.1	3.0	2.4	2.4	3.3	2.4	2.6	3.4
Bahrain	6.1	8.4	6.3	3.2	4.7	2.1	2.0	2.8
Iran, I.R. of	6.0	6.4	0.6	3.9	5.9	2.0	–0.9	0.8
Iraq	…	1.5	9.5	2.9	3.0	8.9	10.2	14.7
Kuwait	7.7	6.5	4.2	–7.8	2.5	8.2	6.3	1.9
Libya	5.3	6.4	2.4	–1.4	3.7	–59.7	121.9	16.7
Oman	3.7	6.7	13.1	3.9	5.0	5.4	5.0	3.9
Qatar	11.2	18.0	17.7	12.0	16.7	14.1	6.3	4.9
Saudi Arabia	3.9	2.0	4.2	0.1	5.1	7.1	6.0	4.2
United Arab Emirates	8.2	6.5	5.3	–4.8	1.3	5.2	4.0	2.6
Yemen	4.3	3.3	3.6	3.9	7.7	–10.5	–1.9	4.1
Consumer Price Inflation	**6.7**	**11.5**	**15.0**	**5.7**	**6.6**	**10.4**	**11.5**	**9.7**
(Year average; percent)								
Algeria	2.3	3.6	4.9	5.7	3.9	4.5	8.4	5.0
Bahrain	0.9	3.3	3.5	2.8	2.0	–0.4	0.6	2.0
Iran, I.R. of	13.3	18.4	25.4	10.8	12.4	21.5	25.2	21.8
Iraq	…	30.8	2.7	–2.2	2.4	5.6	6.0	5.5
Kuwait	1.9	5.5	10.6	4.0	4.0	4.7	4.3	4.1
Libya	…	6.2	10.4	2.4	2.5	15.9	10.0	0.9
Oman	0.5	5.9	12.6	3.5	3.3	4.0	3.2	3.0
Qatar	4.7	13.8	15.0	–4.9	–2.4	1.9	2.0	3.0
Saudi Arabia	0.3	4.1	9.9	5.1	5.4	5.0	4.9	4.6
United Arab Emirates	4.4	11.1	12.3	1.6	0.9	0.9	0.7	1.6
Yemen	11.5	7.9	19.0	3.7	11.2	19.5	15.0	12.7
General Gov. Overall Fiscal Balance	**7.4**	**12.4**	**13.3**	**–1.8**	**2.5**	**5.9**	**6.1**	**4.4**
(Percent of GDP)								
Algeria	7.6	4.4	7.6	–6.4	–2.3	–0.2	–3.9	–1.3
Bahrain[1]	1.6	1.9	4.9	–6.6	–7.0	–2.4	–3.9	–3.6
Iran, I.R. of[1]	2.7	7.4	0.7	1.0	1.6	–0.2	–2.9	–3.9
Iraq	…	11.9	–1.3	–20.5	–8.8	7.6	–1.9	3.1
Kuwait[1]	28.2	39.0	19.8	26.8	25.2	29.1	30.2	26.4
Libya	13.2	24.0	25.1	–3.0	16.7	–27.7	19.4	7.7
Oman[1]	9.1	11.1	13.7	–2.1	4.0	8.1	7.1	5.8
Qatar	8.7	10.9	9.8	13.4	2.6	12.3	9.6	8.5
Saudi Arabia	10.5	16.3	34.4	–4.7	3.4	14.0	16.6	11.2
United Arab Emirates[2]	7.3	16.0	16.8	–12.8	–2.2	3.1	7.5	7.5
Yemen	0.2	–7.2	–4.5	–10.2	–4.0	–4.3	–5.7	–6.0
Current Account Balance	**13.4**	**18.6**	**19.7**	**4.8**	**11.0**	**18.7**	**16.4**	**14.2**
(Percent of GDP)								
Algeria	15.5	22.8	20.1	0.3	7.5	10.0	6.2	6.1
Bahrain	6.3	15.7	10.2	2.9	3.6	12.6	9.9	10.5
Iran, I.R. of	5.5	10.6	6.5	2.6	6.0	12.5	3.4	1.3
Iraq	…	11.5	18.8	–13.4	–3.0	8.3	0.3	6.1
Kuwait	28.8	36.8	40.9	26.7	31.9	44.0	44.1	39.2
Libya	23.8	43.8	42.3	14.7	19.8	1.3	21.8	10.3
Oman	10.3	5.9	8.3	–1.2	8.6	16.7	14.0	10.0
Qatar	25.0	25.4	28.7	10.2	26.7	30.2	29.6	26.8
Saudi Arabia	15.6	24.3	27.8	5.6	14.6	26.5	26.1	22.7
United Arab Emirates	9.8	6.9	7.9	3.5	3.2	9.7	9.3	10.1
Yemen	4.7	–7.0	–4.6	–10.2	–4.4	–3.0	–2.7	–4.0

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

[1]Central government.

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

2. MENAP Oil Importers: Restore Macroeconomic Sustainability and Accelerate Growth

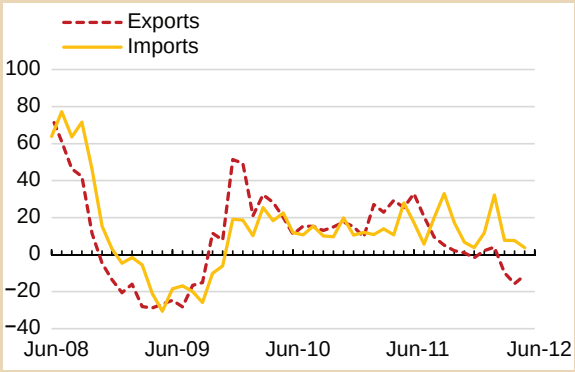
Despite political uncertainty, bouts of social unrest, and the escalation of the conflict in Syria, Arab transition governments have maintained macroeconomic stability. However, fiscal and external balances have deteriorated, and limited progress has been made in building consensus for needed economic reforms. MENAP oil importers' growth in 2012 is expected to remain at low levels, associated with a weakening global economy, high food and fuel commodity prices, regional tensions, and continued policy uncertainty. A moderate recovery is expected in 2013. The depletion of fiscal and reserve buffers over the past year has left very little policy space and has heightened vulnerabilities. Prompt policy action—and timely and adequate international support—are essential for restoring macroeconomic sustainability, addressing long-running structural deficiencies to lay the foundations for inclusive growth in the medium term, and creating jobs for a young and growing population. Targeted social safety nets need to be put in place to ensure that the poor are protected during the transition.

Downturn Continues in 2012, Possible Moderate Recovery in 2013

In recent months, progress has been made in most ACTs,[1] on the one hand, with governments newly elected, and political reforms being implemented in Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen. On the other hand, the conflict in Syria has escalated into a civil war since April 2012, and is now a humanitarian crisis with increasingly significant regional spillovers, especially for Iraq, Jordan, and Lebanon (Box 2.1). Beyond the ACTs, military skirmishes have continued between Sudan and South Sudan. In addition, although Afghanistan, Djibouti, Mauritania, and Pakistan have been relatively unaffected by regional political instability, they are also facing their own economic and social challenges.

Meanwhile, the external environment has deteriorated: international food and fuel prices have continued to rise and economic activity in trading partners, both in Europe and key emerging markets, has weakened.

Figure 2.1
Exports and Imports of Goods
(Annual percent change)



Sources: Haver Analytics; and national authorities.

These exogenous factors are weighing on economic activity in several ways: exports of goods, which had remained relatively robust in 2011, have declined significantly thus far in 2012, and have not yet bottomed out (Figure 2.1); import bills are growing with rising food and fuel commodity prices; tourism arrivals have fallen in some countries, and are recovering only slowly in others; and foreign direct investment inflows have remained subdued. Among the major country-specific growth-inhibiting factors in 2012 are the disruptions to gas supplies in Jordan and the drought in Morocco. However, large mining and infrastructure investments in Mauritania, increased

Prepared by Padamja Khandelwal with input from country teams.

[1] In this chapter, Libya and Yemen are excluded from the analysis covering the ACTs as these countries are oil exporters. Economic data from Syria are limited, so, unless specifically mentioned, regional aggregates in this chapter exclude Syria.

Box 2.1

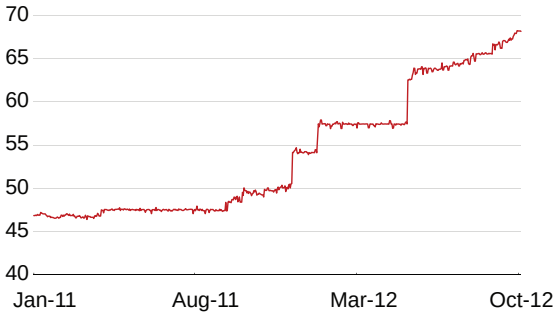
Syria's Crisis: Domestic Economic Impact and Regional Spillovers

The unrest in Syria has escalated into a civil war and a serious humanitarian crisis. Although the conflict was initially concentrated in rural areas impacted by a severe drought, since late 2011 it has spread to urban areas, including Syria's main commercial centers. Human rights organizations have reported more than 30,000 deaths as of September 2012 owing to the conflict.

The conflict has had wide-ranging economic repercussions. The direct impact of the conflict, together with sanctions imposed by the European Union, the United States, and the Arab League, has stifled economic growth through a severe slowdown in trade, tourism, private investment, and the destruction of infrastructure. The banking sector has been adversely affected by the erosion of private-sector confidence, with foreign banks increasingly reluctant to provide trade financing to Syria. The official and black market exchange rates have depreciated by 44 percent and 35 percent, respectively, between March 2011 and September 2012 (Figure 1).

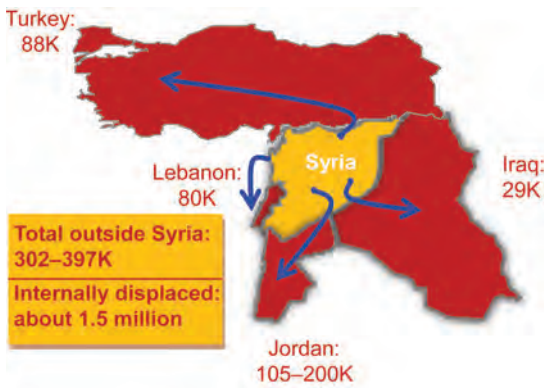
The conflict is also affecting neighboring countries. The number of refugees is estimated at between 300,000 and 400,000 as of end-September 2012, which could strain the budgets of host governments in Jordan, Iraq, and Lebanon (Figure 2). Economic activity in neighboring countries has also been adversely affected, primarily through lower regional tourism and higher cost of bilateral and transit trade. For instance, travel to Lebanon has been affected by the conflict, and transit trade through Syria to and from Iraq, Jordan, and Lebanon has suffered. The perceived risk that neighboring countries could be drawn into the conflict may also weaken confidence more broadly.

Figure 1
Official Exchange Rate
(Syrian pounds per U.S. dollar)



Source: Bloomberg.

Figure 2
Refugee Flows from Syria



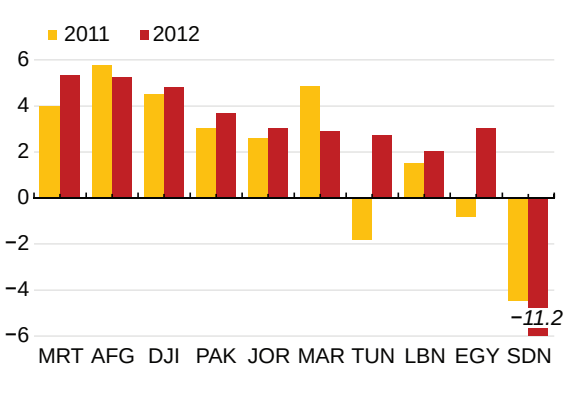
Sources: UNHCR, Jordanian authorities; Internal Displacement Monitoring Centre; and IMF staff estimates as of September 27, 2012.

Prepared by Oussama Kanaan and Randa Sab.

port activity in Djibouti, and demand from Libya for exports from Tunisia are all proving beneficial.

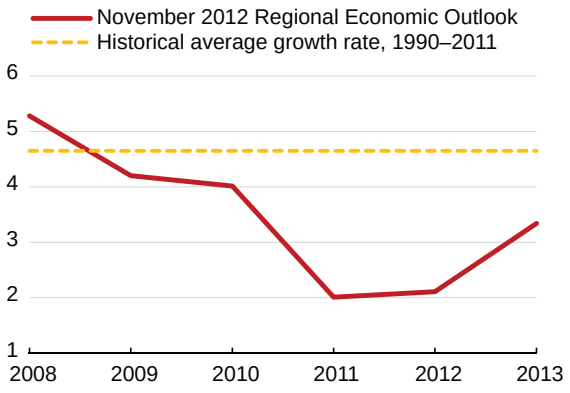
Macroeconomic policies are providing only a limited boost to economic activity. Many governments across the region sharply increased subsidies in 2011 in response to higher food and energy prices and to social demands. However, this spending primarily benefits the better-off and has had limited efficacy in protecting the vulnerable. At the same time, public investment was reduced in some countries, adversely affecting current and prospective growth. In 2012, governments have had limited fiscal space to provide further stimulus. In addition, in countries where governments are

Figure 2.2
Real GDP Growth in 2012 Similar to 2011
(Real GDP, annual percent change)



Sources: National authorities; and IMF staff calculations.

Figure 2.3
Weak Recovery in 2013
(Real GDP, annual percent change)



Sources: National authorities; and IMF staff calculations.

transitional, considerable uncertainty regarding authorities' medium-term policy agenda is deterring private investment, thereby weakening near-term growth potential. As a result of these factors, growth in 2012 is forecast at about the same low level as in 2011 (Figure 2.2).

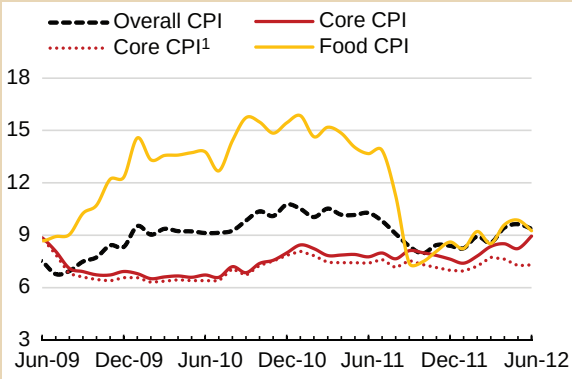
The baseline scenario for 2013 assumes steady improvement in political stability in most ACTs, and continuation of the status quo in Syria and associated regional spillovers. Based on these assumptions, the outlook for MENAP oil importers remains challenging, in line with experience from similar episodes of political transition (Box 2.2). An overall moderate recovery is expected in 2013, with positive country-specific factors in Afghanistan, Djibouti, Mauritania, and Morocco expected to boost growth. For other countries, growth is expected to remain below long-term trends, and unemployment is projected to increase owing to continued anemic external demand, high food and fuel commodity prices, regional tensions, and policy uncertainty (Figure 2.3).

Inflation Stable in Most Countries, But Concerns Rising

The increase in MENAP oil importers' overall, food, and core inflation since late 2011 primarily reflects developments in Sudan, where inflation has increased sharply as a result of a large exchange rate devaluation in the official and parallel markets and monetization of the deficit (Figure 2.4).

Core inflation has crept up in some other countries, but has declined in others. Since end-2011, it has accelerated slightly in Pakistan and Tunisia as a result of accommodative monetary policies and a slight nominal depreciation. These increases in core inflation have been offset by decreases in other MENAP oil importers, where inflation pressures have remained muted owing to weak aggregate demand and some nominal effective exchange rate appreciation arising

Figure 2.4
Inflationary Pressures
(Consumer prices; period average, annual percent change)



Sources: Haver Analytics; and national authorities.
[1]Excluding Sudan.

Box 2.2

The Economics of Political Transitions

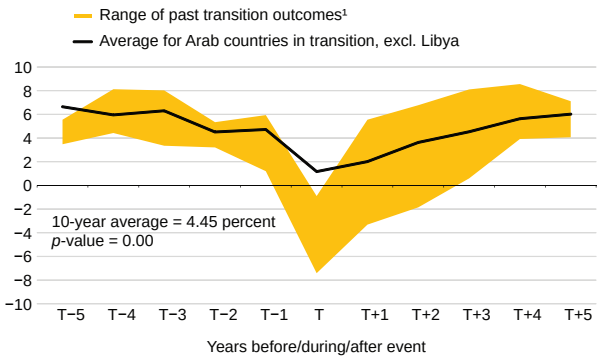
One and a half years after the onset of the Arab Awakening, the ACTs are now in the midst of an economic downturn, and their macroeconomic vulnerabilities have heightened. This box examines previous transitions to identify common trends in the evolution of key macroeconomic variables that may hold lessons for the ACTs.

Previous political transitions that are similar to those of the Arab Awakening were identified, with a focus on countries that have undergone intense political instability (PI), together with severe social unrest. The Cross-National Time-Series (CNTS) Data Archive and BBC News were used to identify all comparable events in low- and middle-income countries. The search yielded a sample of 11 PI episodes that roughly matched the intensity of PI associated with the Arab Awakening.[1]

In these cases, PI was associated with a large decline in output and investment. Countries experienced a decline in output in the year of the PI (shaded portion of Figure 1), with contemporaneous real GDP declining by more than 4 percent on average.[2] Actual growth rates dipped below trend for all countries during the year of the event, and during the subsequent two years. Unemployment rates rose, by about 1–1½ percentage points on average, during the first two years after the start of PI, and took between four and five years to recover. As occurs with downturns in general, consumption remained resilient while investment suffered a large decline. Public and private investment declined by about 20 percent on average during the event year, and remained low in subsequent years.

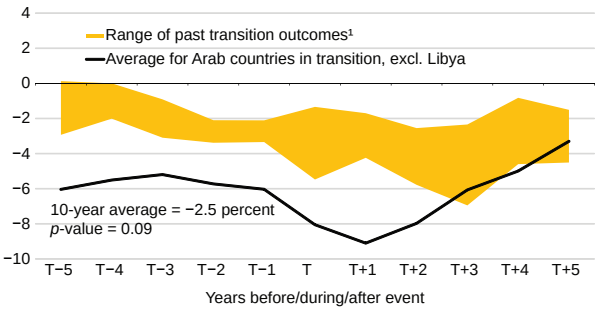
Fiscal positions worsened during PI, and recovered slowly. Overall fiscal balances deteriorated sharply during the event year, and continued to widen for two years as a result of both lower revenue and higher spending. Fiscal balances returned to precrisis levels only in year *T*+4 (Figure 2), and had an adverse impact on government debt (in percent of GDP).

Figure 1
Real GDP Growth
(Percent)



Sources: National authorities; and IMF staff estimates.
[1]Spread between 1st and 3rd quartile.

Figure 2
Overall Fiscal Balance
(Percent of GDP)



Sources: National authorities; and IMF staff estimates.
[1]Spread between 1st and 3rd quartile.

Prepared by Padamja Khandelwal and Agustín Roitman.

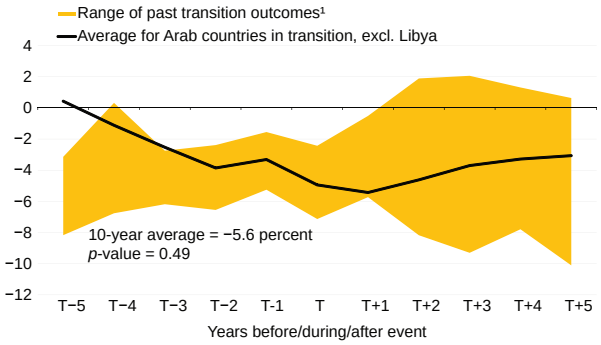
[1] The 11 cases comprise: Albania (1997–98), Argentina (2001–03), Cote d'Ivoire (2000–01), Honduras (2009–10), Korea (1980–81), Madagascar (2002), Myanmar (1988–90), Paraguay (1999–03), Philippines (1983–87), South Africa (1990–94), and Togo (1991–93). The Cross-National Time-Series Data Archive may be accessed at http://www.databanksinternational.com.

[2] The text boxes in each of Figures 1–3 contain (i) the 10-year average of the variable prior to year *T* and (ii) the *p*-value from a *t*-test where the null hypothesis is that values in year *T* are the same as those in prior years.

Box 2.2 (*concluded*)

Over the medium term, external current account deficits improved in many countries. Ten of the 11 countries entered their crisis period with large current account deficits (Figure 3). During PI, the already large current account deficits and crisis-induced difficulties in accessing external finance typically led to a decline in international reserves. Reserves recovered slowly, returning to precrisis levels about four years after the crisis. However, over the medium term, by year *T*+5, seven countries had vastly improved external current account balances, whereas four of the 11 countries had worse current account deficits.[3]

Figure 3
Current Account Balance
(Percent of GDP)



Sources: National authorities; and IMF staff estimates.
[1]Spread between 1st and 3rd quartile.

Episodes of PI and conflict often recur, but governance and economic reforms can reduce the likelihood of recurrence. Two ongoing empirical studies document an urgent need to improve governance and institutions in the ACTs. The first study finds that countries with a past history of domestic conflict have a high risk of subsequent conflict. Implementing growth-enhancing policies, reforming dysfunctional institutions, and addressing urgent needs can help reduce the risk of conflict recurrence. The second study finds that in the years following PI, output is a function of countries' ability to implement governance and economic reforms. Further, countries with initial better quality of governance have, on average, a lower probability of entering an instability episode, suggesting that reforms will reduce the risk of the recurrence of PI episodes in the future.

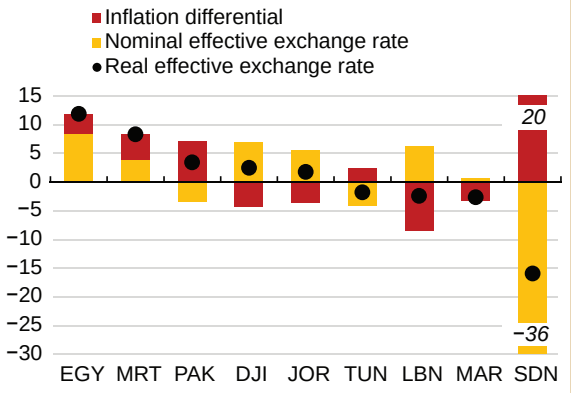
Many of the economic trends that have characterized earlier episodes of PI are becoming evident in the ACTs (dark line in Figures 1–3). Output declined in 2011 in Egypt, Libya, Tunisia, and Yemen, but remained more stable in Jordan and Morocco. Macroeconomic stability has come under pressure because fiscal deficits in the ACTs were already large going into the crisis, and have widened as they did in earlier episodes of PI. External current account deficits have also deteriorated in the ACTs, and international reserves have declined. Inflation has remained muted in most ACTs, owing to weak aggregate demand. Future developments in the ACTs will largely depend on policy action. The fiscal consolidation that is currently planned in the ACTs is larger than in historical episodes of PI, and external adjustment more gradual. Real GDP is forecast to return to its long-term trend level over a four- to five-year period, as in previous cases of PI, but more gradually, having initially declined in the ACTs by less than earlier episodes of PI.

[3] Pairwise correlations (not reported here) indicate that medium-term improvements in current account deficits were accompanied by depreciation of real exchange rate and gains in terms of trade.

from the strength of the U.S. dollar (Figure 2.5). Inflation is expected to rise in Egypt, Morocco, and Tunisia, as governments plan to increase pass-through and reduce commodity and energy subsidies.

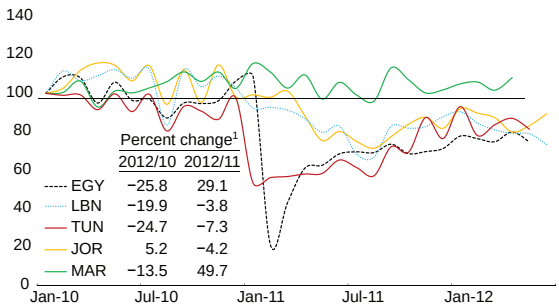
Monetary policy will need to respond to second-round effects from higher pass-through of international food and fuel prices, to continue to dampen inflation expectations. Although the degree of economic slack is increasing, the vulnerability of many countries in the region to supply-side inflation shocks during past downturns (Box 2.3) raises concerns over inflation pressures at the present juncture. Certainly, monetary policy should remain accommodative toward first-round effects, but not ignore core inflation as a key indicator of domestic inflation. In any case, authorities will need to remain vigilant

Figure 2.5
Exchange Rates Have Appreciated in Some Countries
(Percent change from July 2011 to July 2012; increase represents appreciation)



Source: IMF, *World Economic Outlook*.

Figure 2.6
International Tourist Arrivals
(Index; January 2010=100, seasonally adjusted)



Sources: Haver Analytics; national authorities; and IMF staff calculations.
[1]Year-over-year growth; most recent month.

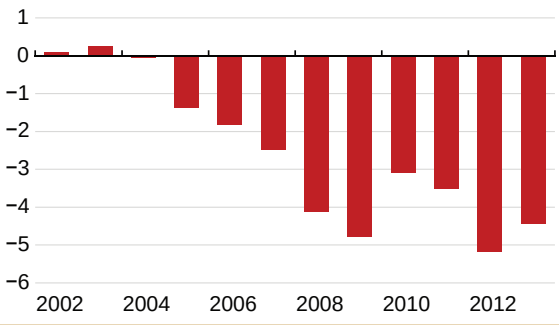
against increases in headline and core inflation, and take action if second-round effects begin to materialize from higher international commodity prices, or if the previous year's public-sector wage increases filter through to the private sector as MENAP oil importers' economies begin to recover in 2013 (Annex 2.1).

External Deficits Widening, Reserve Buffers Diminished

External current account deficits are set to deteriorate in 2012 for many MENAP oil importers. Remittances have remained stable, but aggregate exports of goods in 2012 are down in Egypt, Jordan, Mauritania, Morocco, Pakistan, Sudan, and Tunisia. The decline in exports can be attributed to the euro area recession and slowing growth in emerging markets, declining prices of primary nonfuel commodities, dislocation of goods transit through Syria, disruptions to mining in Jordan and Mauritania, and the secession of South Sudan. Tourism arrivals are recovering, albeit slowly, and are still significantly below 2010 levels in Egypt, Jordan, Lebanon, and Tunisia (Figure 2.6). However, in Lebanon and Morocco, arrivals have declined in 2012 because of spillovers from Syria and economic weakness in Europe, respectively. At the same time, persistently high international food and fuel prices are keeping import bills elevated. In 2013, the overall current account deficit is projected to improve slightly as a weak recovery gets under way in Europe, but will still remain unsustainably large (Figure 2.7).

Global conditions and domestic policy uncertainty have continued to weigh on capital flows. Foreign direct investment is expected to have declined slightly from the low levels of 2011. Securities issuance on international capital markets continued to fall during the first half of 2012, particularly in Egypt, Lebanon, and Pakistan, at a pace faster than

Figure 2.7
External Current Account Deficits Continue to Widen
(MENAP oil importers: percent of GDP)



Source: IMF (2012d).

Box 2.3

Recovering from a Downturn: Lessons from Past Business Cycles

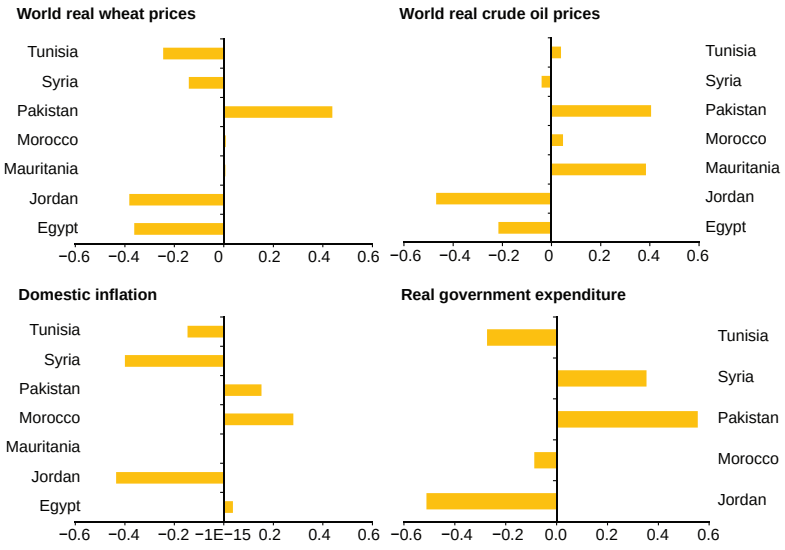
To better inform policy choices for MENAP oil-importing countries during the current economic downturn, variations in key macroeconomic variables over past business cycles (data spanning 1962–2011) were examined. The main findings are:

Rising international food and fuel prices are likely to further weaken economic activity in most countries. For Egypt, Jordan, Syria, and Tunisia, evidence is found in support of a negative association between shocks to world wheat prices and output—the reverse is found in Pakistan, which is a large agricultural producer. Evidence also supports a strong negative association between shocks to world fuel prices and output in Jordan, reflecting its dependence on imported oil. In contrast, output is positively associated with shocks to fuel prices in Mauritania (possibly reflecting its large mining sector and the comovement of commodity prices) and Pakistan (possibly reflecting its growing petrochemical sector).

Rising food and fuel prices could drive supply-side inflation. A strong negative association between inflation and output fluctuations over the business cycle—as in Jordan, Syria, and Tunisia—indicates, on the one hand, that inflation is likely driven by supply shocks. On the other hand, a positive association, as in Morocco and Pakistan, provides evidence that inflation in these countries was likely driven by demand pressures. For Egypt and Mauritania, evidence points to a broadly similar role for demand and supply factors.

Government expenditure is procyclical in some countries. A procyclical (countercyclical) fiscal policy entails higher (lower) spending during expansions and results in a positive (negative) association between expenditure and output fluctuations. Evidence of countercyclical fiscal spending is found only in Jordan and Tunisia; fiscal spending was strongly procyclical in Pakistan and Syria, and acyclical in Morocco (see figure).

Contemporaneous Correlation of Selected Variables with Output Fluctuations, 1962–2011[1]



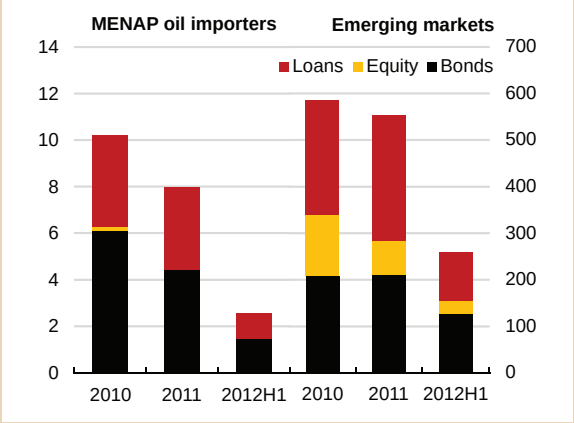
Source: IMF (2012d).

[1] Fluctuations in output are measured as the deviations of actual output from potential. The ideal-band pass filter (Corbae and Ouliaris, 2006) is employed to calculate potential output, shocks to inflation, and world food and fuel prices.

These findings suggest that during the current downturn, high and rising food and fuel prices are likely to depress growth and cause supply-side inflation, calling for vigilance against the possibility of second-round inflation effects. In addition, policymakers in many oil-importing countries may find that they have limited room to pursue countercyclical fiscal policy, given diminishing fiscal buffers.

Prepared by Padamja Khandelwal and Paul Cashin.

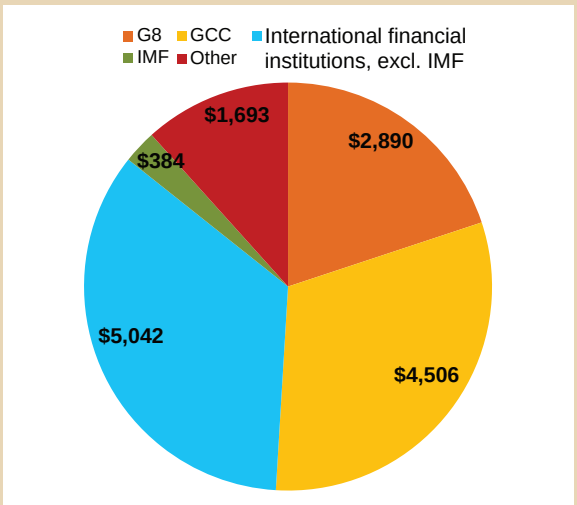
Figure 2.8
International Issuance of Bonds, Equity, and Loans[1]
(Billions of U.S. dollars)



Source: Dealogic.
[1]Includes issuance from Egypt, Jordan, Lebanon, Morocco, Pakistan, and Tunisia.

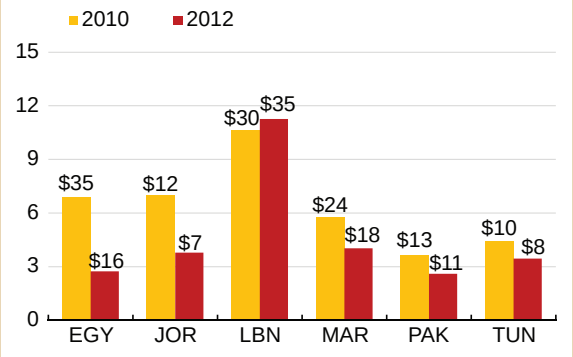
in other emerging markets (Figure 2.8). Meanwhile, bilateral and multilateral external official financing from the GCC countries, the G-8, the IMF, and other international financial institutions has helped support reserve buffers in Egypt, Jordan, Morocco, and Tunisia, but has fallen short of meeting financing needs (Figure 2.9).

Figure 2.9
Official Financing Disbursed since Arab Awakening[1]
(Millions of U.S. dollars)



Source: National authorities.
[1]Received through August 2012 or latest available. Includes Egypt, Jordan, Morocco, and Tunisia.

Figure 2.10
Gross International Reserves Declining
(Months of imports and billions of U.S. dollars)



Sources: National authorities, and IMF staff calculations.

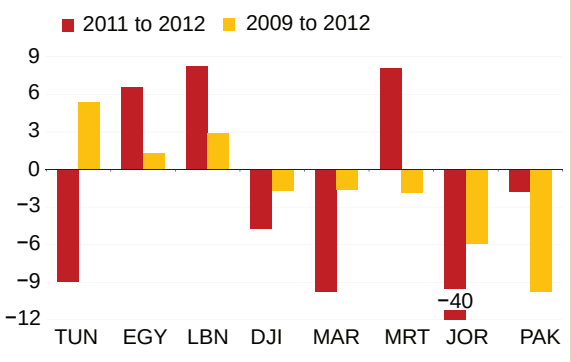
Despite support from official sources, official international reserves have continued their sharp decline in many countries in 2012. The cumulative decline in reserves since end-2010 is about 60 percent in Egypt, 47 percent in Jordan, 36 percent in Tunisia, 29 percent in Morocco, and 20 percent in Pakistan.

The decline in reserve buffers has raised concerns regarding their adequacy in many countries. Various measures are used to assess reserve adequacy, including months of imports, percent of short-term debt, and percent of broad money; based on these traditional metrics, reserve adequacy is a concern in Egypt and Pakistan, whereas Jordan, Morocco, and Tunisia would be considered as having broadly adequate reserves for now, but with limited space for further losses (Figure 2.10).

Need for Greater Exchange Rate Flexibility

Widening external current account deficits in many countries since 2004 may reflect a need for adjustment in relative prices to help reduce structural external imbalances. These deficits are, in part, a result of the temporary decline in exports and tourism that resulted from domestic and regional political unrest but, in some cases, are also due to longer-term factors, such as large fiscal deficits and adverse terms-of-trade shocks

Figure 2.11
Terms of Trade Deteriorating in Many Countries
(Percent change; increase = improvement)



Sources: National authorities; and IMF staff calculations.

(Figure 2.11). Empirical evidence indicates that reducing the fiscal deficit can help depreciate the real exchange rate and decrease the current account deficit. In addition, countries faced with negative terms-of-trade shocks fare better when they allow the real exchange rate to depreciate.

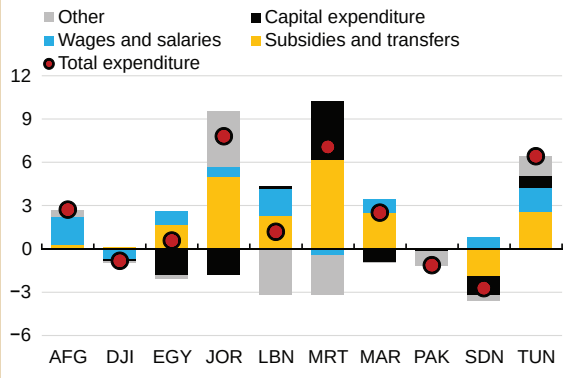
For countries where the deterioration in external balances is considered temporary and real exchange rates are broadly in line with fundamentals, it would be helpful to mobilize external finance and limit exchange rate movements to maintain price stability. In countries where the issue is more structural, delaying an adjustment in exchange rates while reserves continue to decline could erode the credibility of monetary authorities and increase the risk of an eventual disorderly movement. Policymakers need to consider that currency devaluation can not only increase inflation and the budgetary cost of subsidies, but also have valuation effects on external liabilities. Early action—while reserve buffers remain adequate to support a managed transition to greater exchange rate flexibility—assisted by careful communication with markets, can help minimize these risks. To the extent that MENAP oil importers' tightly managed exchange rate regimes are considered essential to price stability, a sizable fiscal consolidation would instead be needed to achieve the required adjustment in relative prices. However, this may prove more costly in terms of output and welfare than allowing greater exchange rate flexibility.

Rising Subsidies, Deteriorating Fiscal Positions

Since 2010, growing pressures for social spending in response to political unrest and higher international food and fuel prices have led to a large increase in current government expenditure (in percent of GDP). To a large extent, this increase has not been targeted to the poor. Energy and food subsidies and public-sector wage bills account for most of the increased spending in Egypt, Jordan, Lebanon, Mauritania, Morocco, and Tunisia (Figure 2.12), although some measures to reduce untargeted subsidies have been implemented recently in Jordan, Mauritania, Morocco, and Tunisia. Except in Lebanon, Mauritania, and Tunisia, capital expenditures (in percent of GDP) have been cut to offset some of the increased current spending. Revenues in percent of GDP have also decreased in Egypt, Jordan, Morocco, and Pakistan, due to the operation of automatic stabilizers during the downturn, the granting of tax exemptions and tax breaks, and social unrest.

The average deterioration in the overall fiscal balance for MENAP oil importers, relative to 2010, is nearly 2¼ percent of GDP. Most countries in the region maintained a countercyclical fiscal stance in 2011;

Figure 2.12
Increase in Government Expenditure
(Percent of GDP, 2012 versus 2010)

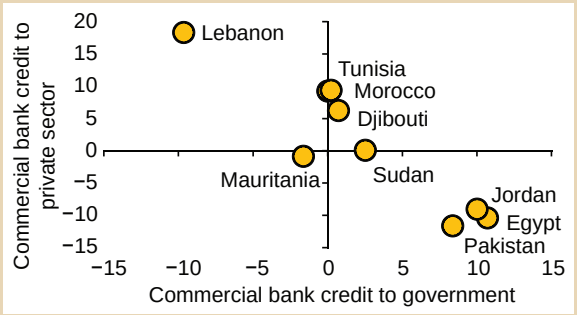


Sources: National authorities; and IMF staff calculations.

in 2012, policymakers in Jordan, Morocco, Pakistan, and Sudan have withdrawn stimulus to varying degrees and adopted a procyclical policy stance owing to financing constraints and debt sustainability concerns. The loss of oil revenues in Sudan and the decline in donor aid in the West Bank and Gaza (Box 2.4) have also played an important role.

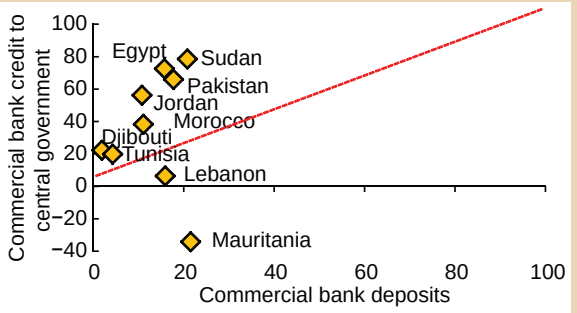
In recent years, governments in many MENAP oil-importing countries have relied on domestic banks to finance fiscal deficits, given their sovereign rating downgrades and rising bond spreads in international financial markets. Growth in credit to government from commercial banks has significantly outpaced growth in deposits, reducing the availability of credit for the private sector (Figures 2.13 and 2.14) and pushing up domestic treasury bill rates in Egypt and Jordan.

Figure 2.13
Private-Sector Credit Squeezed
(Change from end-2008 to latest available, percent of GDP)



Sources: National authorities; and IMF staff calculations.

Figure 2.14
Fiscal Financing Outpacing Deposit Growth
(Percent change since end-2010)



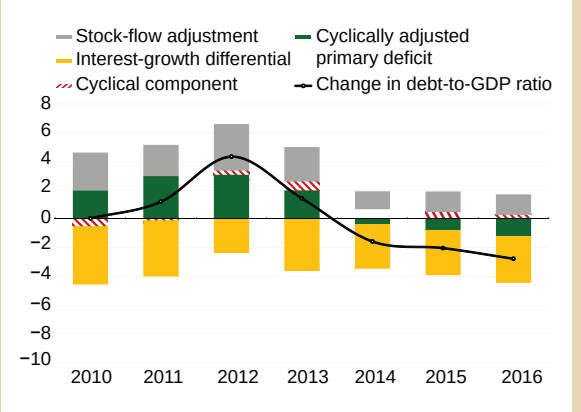
Sources: National authorities; and IMF staff calculations.

Rising Debt Levels, Consolidation Necessary

Debt levels have risen in most countries. At end-2010, average gross public debt among MENAP oil importers (excluding Syria) was about 68 percent, with debt in Lebanon exceeding 100 percent of GDP. Tunisia had a lower level of debt, near 40 percent of GDP. Valuation changes owing to currency depreciation in Sudan, rising borrowing costs, widening fiscal deficits, and the decline in growth rates, have resulted in a large increase in average gross public debt, which is expected to reach nearly 73 percent of GDP by end-2012.

Reducing public-sector debt in the medium term could prove a challenge. Under current policies, average public debt is expected to remain at more than 60 percent of GDP in the medium term, even with the sizable fiscal consolidation that is planned in some countries in 2013–14, and a continuing favorable interest rate–growth differential likely arising from domestic financial repression (Figure 2.15). Here, the cyclically adjusted primary deficit (CAPD) is the underlying primary deficit, obtained after eliminating the impact of business cycle output variation on fiscal revenues and expenditures.[2]

Figure 2.15
Contribution to Debt Accumulation
(Percent, 2010–16)



Sources: National authorities; and IMF staff calculations.

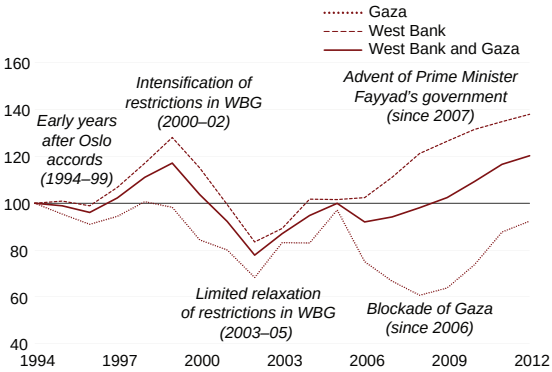
[2] The cyclical component of the primary deficit is the difference between the primary deficit and the CAPD.

Box 2.4

West Bank and Gaza: Moving Beyond Crisis Management

Following a substantial decline in donor aid, the Palestinian Authority (PA) has been facing severe financing difficulties since early 2011, culminating in a fiscal crisis in summer 2012. During 2008–10, the PA made major strides in institution-building and prudent fiscal management, which enabled a reduction in its recurrent aid needs from US$1.8 billion to US$1.1 billion. However, starting in 2011, aid has fallen significantly short of the amounts needed to finance the PA's already tight budgets. These problems have been compounded by revenue shortfalls resulting from the slowdown in economic growth and lower-than-expected tax collection. This has led to a rapid buildup of domestic payments arrears and borrowing up to domestic commercial banks' limits.

Real GDP per Capita Growth
(Index; 1994=100)



Sources: National authorities; and IMF staff estimates.

Unless promptly addressed, the persistence of the PA's financing difficulties will have severe adverse consequences. Given the limited scope for further arrears and debt accumulation, the PA would be forced to cut public-sector wages and core operating expenditures. This would prevent it from functioning normally and could erode the institutional gains of recent years. There have already been repeated delays in the payment of public-sector wages, which were resolved only after revenue advances from Israel. In addition, there is a risk that assistance targeted to the needy would be curtailed, thus potentially fueling social tensions. Finally, the buildup of domestic arrears is bound to weaken private-sector confidence in the government's ability to meet its payment obligations.

Concerted actions by the PA, Israel, and donors are needed to address the immediate fiscal crisis and help support a lasting recovery in Palestinians' living standards:

First, it is important for the PA to prepare for the possibility of continued aid shortfalls by containing the deficit. Several measures have already been announced, including tight controls on public-sector employment and better targeting of employee allowances. Other expenditures should continue to be prioritized and cash management strengthened to ensure that nonessential spending takes the brunt of the cuts. Tax administration should continue to be enhanced by widening the tax base and improving compliance. It is also important to press ahead with civil service and pension reforms, and to strengthen the legal framework facing businesses.

Second, recent understandings between the PA and Israel on measures to enhance clearance revenue collection and reduce leakages are an important step in bilateral economic cooperation, given that clearance revenue represents the bulk of the PA's revenue. A broadening of that cooperation to include an easing of restrictions on external trade and movement of goods and people would help expand private-sector growth and employment, and substantially reduce the PA's reliance on aid. Over the past two decades, real GDP per capita has been substantially influenced by the extent of such restrictions (see figure).

Finally, it is critical that the PA's efforts be complemented by the prompt disbursement of additional aid to prevent a further buildup of arrears and debt to commercial banks, and prevent a serious disruption of the PA's core operations. Timely disbursement of aid is essential to sustain an orderly path of fiscal adjustment and institution-building toward a self-reliant Palestinian state.

Prepared by Oussama Kanaan, Udo Kock, and Mariusz Sumlinski. For a detailed discussion, see Kanaan, Kock, and Sumlinski (2012).

As Figure 2.15 illustrates, under current policies, the CAPD turns negative (that is, becomes a surplus) by 2014 with a planned adjustment of 1–2 percent of GDP annually in 2013–14, and relatively little thereafter. On this path, fiscal vulnerabilities remain high over the medium term—any fiscal slippage, increase in global interest rates (from their current low levels) that puts pressure on domestic interest rates, or a slower growth path, would exacerbate an already difficult situation.

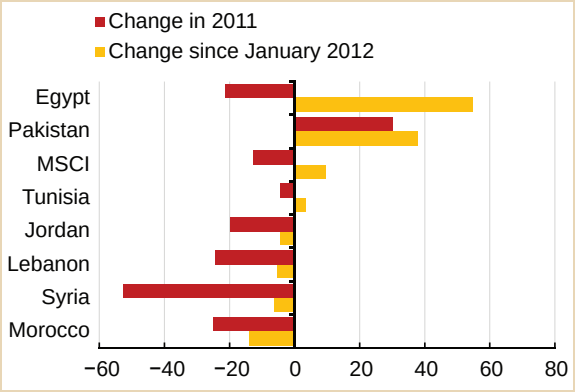
Financial Sector: Mixed Performance

Backward-looking financial sector indicators show a limited impact from the global and regional economic downturn so far. The weakening in underlying asset quality may be masked in the near term by increased financing of government and regulatory forbearance in some countries. Still, based on reported data, nonperforming loans have risen as a share of total loans in Djibouti, Jordan, Sudan, and Tunisia over the past year.

Despite close links to European banks in some countries, direct financial spillovers in the form of deleveraging are likely to remain limited in MENAP oil-importing countries (Box 2.5). In Lebanon, bank exposure to Syria through assets of subsidiaries and cross-border loans could act as a channel for potential adverse spillovers.

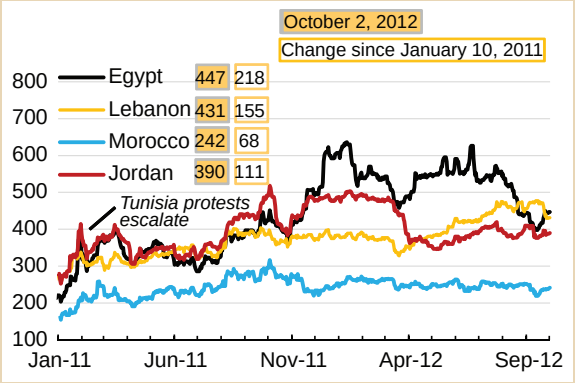
Reflecting their forward-looking nature, stock markets in some MENAP oil importers have recouped part of their 2011 losses. Stock markets in Egypt and Pakistan have gained the most in 2012, followed by Tunisia (Figure 2.16). In contrast, stock market slides in Jordan, Lebanon, and Morocco have continued. Sovereign bond spreads have eased recently for Egypt and Jordan (owing to reduced political uncertainty), but have increased for Lebanon, owing to rising risks and spillovers from Syria since May 2012 (Figure 2.17).

Figure 2.16
Stock Market Indices Lower in Some Countries, Higher in Others
(Percent; data through October 2, 2012)



Source: Bloomberg.

Figure 2.17
Sovereign Bond Spreads Higher
(Basis points)



Sources: Bloomberg; and Markit.

Downside Risks Are Elevated

Although growth remains weak and policy buffers have been drastically diminished, the region faces significant downside risks, most notably continued political uncertainty. Many governments in the region are still transitional. As policy buffers have wound down, a re-escalation of social unrest and political instability could have a large adverse

impact on economic sentiment and policy implementation. Evidence indicates that when governments implement reforms following an episode of political instability, they see better growth outcomes and a lower risk of recurrence of political instability and domestic conflict (Box 2.2). Avoiding recurrence of political instability in the ACTs will require—in addition to political and social reforms—economic reforms to improve standards of living and promote sustainable and inclusive growth. Another large downside risk stems from the potential spread of the Syrian conflict to the broader subregion.

Box 2.5

Euro Area Financial Spillovers to MENAP Oil Importers

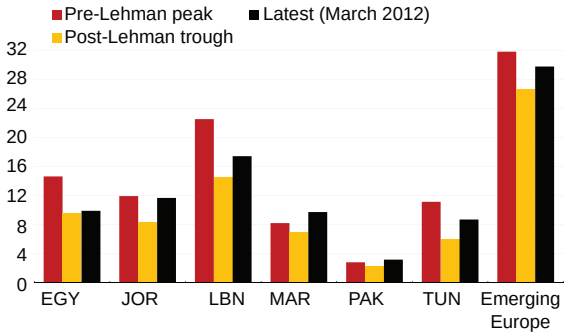
Global banks have increased their exposure to key oil importers from the low points reached in the immediate aftermath of the collapse of Lehman Brothers in 2008 (Figure 1). Among oil importers, Lebanon has been the most dependent on lending by global banks, reflecting banks' holding of the government's international bonds. Attractive U.S. dollar yields have supported demand, but spillovers from Syria could weaken this support. Lending to Jordan, Morocco, and Pakistan is already close to or in excess of levels that prevailed before the onset of the global financial crisis. The recoveries in cross-border lending to Jordan and Tunisia have been less pronounced, but are broadly similar to those observed in emerging Europe (the region arguably most concerned by European bank deleveraging). Global banks were significant holders of Egyptian government local currency debt, and rapidly exited in early 2011. Accordingly, exposure to Egypt is at a low, consisting mostly of loans rather than bonds.

Countries in the region are host to smaller local operations of European banks than in emerging Europe (Figure 2). French banks in Morocco are an exception: local operations (accounting for one-fifth of the banking system) are generally funded by local deposits, with the residual representing capital and minimal parent funding. Although subsidiaries in emerging markets are usually more profitable than home market operations, the contributions to group profits by subsidiaries in the MENAP region are small.

Figure 1

Selected Oil Importers and Emerging Europe: Lending by Global Banks

(Percent of 2008 GDP)

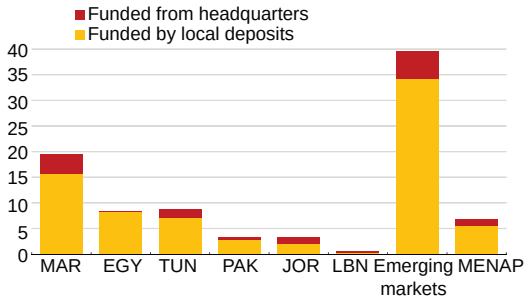


Source: Bank for International Settlements; and IMF staff estimates.

Figure 2

Size of European Banks' Local Operations in Key Countries

(Data as of March 2012; percent of GDP)



Sources: Bank for International Settlements; and IMF staff calculations.

Prepared by Gabriel Sensenbrenner and Jaime Espinosa Bowen.

In addition to political risks, further increases in global food and fuel prices would have large real sector effects on output, fiscal and external balances, and inflation (Annex 2.1). As a first-round effect, for instance, a 10 percent increase in food prices is estimated to increase MENAP oil importers' external current account and fiscal deficits by 0.3 percent and 0.2 percent of GDP, respectively. A similar 10 percent increase in oil prices would increase both external current account and fiscal deficits by 0.4 percent of GDP. Inflation pressures would also come into play. Although financial sector linkages with the euro area are limited, real sector linkages through trade and remittance channels are important for several countries; a further intensification of the euro area crisis would have a severe adverse impact on the MENAP region (Annex 1.2; Box 3.3).

In terms of upside risks, actions to define and implement a medium-term macroeconomic policy framework and reform agenda could lead to improved economic and political outcomes. Stronger-than-expected growth in the euro area and any dissipation of the risk premium in oil prices could also boost economic activity.

Need to Restore Macroeconomic Sustainability

The near-term economic outlook is difficult not only for the ACTs, but also more broadly for the MENAP oil importers (except Djibouti and Mauritania). Significant external and fiscal vulnerabilities, and limited external official financing—notwithstanding recent IMF financing/insurance arrangements for Jordan and Morocco—have made the restoration of macroeconomic sustainability essential for maintaining macroeconomic stability.

Any macroeconomic stabilization program will involve fiscal consolidation, which, if sustained, will not only improve public debt and external sustainability, but is also likely to increase the availability of private-sector credit and decrease real exchange rate misalignment. To achieve these goals, clear communication with the public and careful implementation of consolidation plans will be critical. Fiscal adjustment over the medium term is already planned by authorities in several countries and is being supported by IMF arrangements in Jordan and Morocco. More external official financing is needed to facilitate and smooth adjustment.

Macroeconomic stabilization will also require greater exchange rate flexibility to reduce structural external imbalances in some countries. Moving away from the use of exchange rates as a nominal anchor can allow for a more flexible monetary policy to help restore and maintain price stability and competitiveness. In this regard, early action to allow greater exchange rate flexibility and expand the monetary policy toolkit—supported by careful communication with markets—can help anchor inflation expectations and minimize the associated risks.

Minimizing the Growth and Social Impact of Fiscal Consolidation

Rebalancing the composition of expenditures and revenues can help achieve fiscal consolidation, while diminishing its contractionary effect on output (Box 2.6) and its adverse impact on the poor. Reducing generalized subsidies should be an important component of consolidation. These are an inefficient way of boosting economic activity and protecting the poor; they generate costly distortions, and should be replaced by targeted social safety nets. Subsidies have decreased recently in Jordan, Mauritania, Morocco, and Sudan, but more needs to be done to develop targeted social safety nets. Some of the freed resources can be used to increase infrastructure spending and improve public services to spur growth and reduce income inequality. Public investment in many oil

Box 2.6

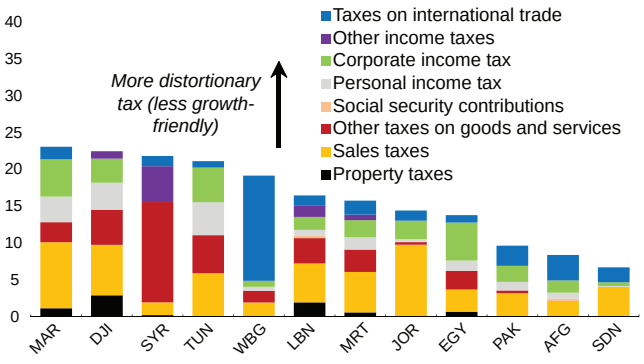
Is There Scope for Growth-Friendly Fiscal Consolidation in MENAP Countries?

Fiscal consolidation can be designed to minimize its contractionary effects. Revenue-based fiscal consolidation, if sustained, is generally preferable to expenditure-based fiscal consolidation. Estimates for advanced economies indicate that short-term fiscal multipliers are higher for expenditure measures than for revenue measures, so that raising revenue is likely to prove more "growth-friendly" than a commensurate cut in expenditures.

Figure 1

Composition of Selected Taxation Items

(Percent of GDP, 2011 or latest year)

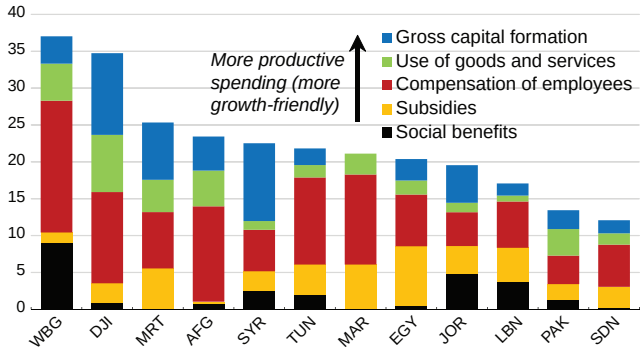


Sources: National authorities; and IMF staff estimates.

Figure 2

Composition of Selected Expenditure Items

(Percent of GDP, 2011 or latest year)



Sources: National authorities; and IMF staff estimates.

Rebalancing the composition of revenues and expenditures can also prove growth-friendly. Figures 1 and 2 show selected taxation and public expenditure measures in MENAP oil importers, ranked by their short-term effect on output.[1] The rankings are based on estimated fiscal multipliers calculated using model-based simulations for advanced economies.[2] As to taxation, property and sales taxes are the most growth-friendly instruments for raising revenues, whereas trade taxes and income taxes are the least growth-friendly. Similarly, on the expenditure side, expenditures on social benefits and subsidies are the least growth-friendly, whereas investment spending tends to be the most growth-friendly instrument.

Afghanistan, Egypt, and Pakistan are among those MENAP oil-importing economies with the greatest scope to rebalance taxes toward more growth-friendly instruments; Djibouti, Jordan, and Morocco are among those with less scope. Countries facing competitiveness problems can benefit from such "fiscal devaluations" whereby there is a shift from labor taxation to consumption (or property) taxation as a way to mimic the effects of a nominal exchange rate devaluation. As to the composition of expenditures, spending on subsidies is largest in Egypt, Jordan, Lebanon, Morocco, and Tunisia, suggesting that there is scope to lower such spending as a growth-friendly instrument for fiscal consolidation. In contrast, relatively productive spending on gross capital formation is smallest for Lebanon, Sudan, and Tunisia, suggesting that there is space to raise such spending.

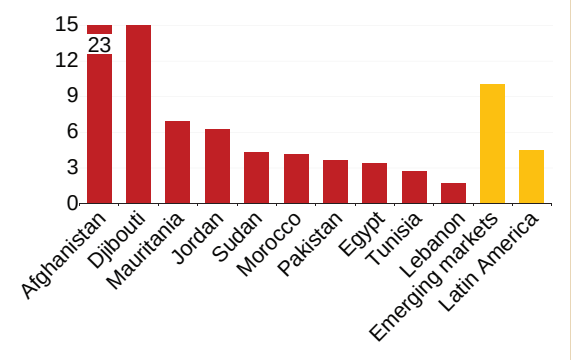
Prepared by Paul Cashin, Paul Zimand, and Padamja Khandelwal.

[1] The total of taxation and expenditure items does not reflect aggregate revenue and aggregate expenditure for each country, as several items are not included.

[2] Although it is not known whether the exact values of the advanced-economy fiscal multipliers are applicable to MENA countries, the MENA ranking of the revenue and expenditure multipliers is likely to be invariant to the value of the multipliers. See also OECD (2010).

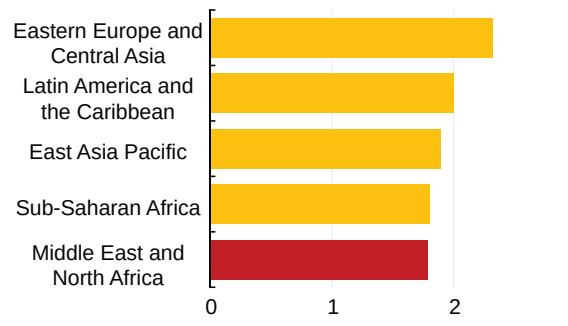
importers is low relative to other emerging markets (Figure 2.18) and has fallen in 2011–12. Moreover, the quality of public investment is lower than it is in other regions, reflecting inefficiencies in project appraisal and implementation (Figure 2.19). Increasing public investment while improving its quality can help maximize the benefits of growth for the poor.

Figure 2.18
Public Investment Is Low
(Percent of GDP, average 2007–12)



Sources: National authorities; and IMF staff calculations.

Figure 2.19
Public Investment Project Implementation Is Weak



Note: Calculations based on Dabla-Norris and others (2011). The public investment project implementation index evaluates the degree of competition for contracts, the procurement complaints mechanism, payment processes, and the effectiveness of internal controls. Ratings are from 0 to 4, with a higher score reflecting better project implementation.

Structural Reforms Needed to Enhance Inclusive Growth

The events that began in early 2011 have created an anticipation of bold economic reforms to fulfill the aspirations of a young population. So far, the exigencies of political transition have meant that the focus has been on political reforms, while unemployment rates have continued to increase from already high levels. Estimates prepared in 2010 (IMF, 2010b) indicate that 18 million new jobs are needed over this decade to absorb the unemployed and new labor force entrants in Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia alone. Creating the requisite jobs in the private sector will require a large and permanent increase of about 2 percent in long-term trend growth rates. This increase will not occur without continued macroeconomic stability and structural reforms to improve competitiveness (Box 2.7).

Although their strategies are likely to vary, reflecting different starting points and goals, MENAP oil-importing countries will need to aim for higher, sustained, private sector–led growth, supported by greater private investment and higher productivity. Reforms will be needed to establish a business environment conducive to private sector–led growth. Labor market and education reforms can promote skill-building and protection for workers, and reforms to business regulation and governance can help ensure simple, transparent, and evenhanded treatment for businesses, and limit the scope for rent-seeking. Furthermore, improving access to finance can help catalyze entrepreneurship and private investment (Box 2.7; and IMF, 2011d, Annexes 2.1 and 2.2). The outstanding reform agenda is complex and will take time to implement. It is important for authorities to press ahead to help to realize the aspirations and potential of the region's youth, deliver higher standards of living, and improve access to economic opportunities over the medium and long term.

Box 2.7

Arab Countries in Transition: Economic Reforms to Foster Growth and Employment

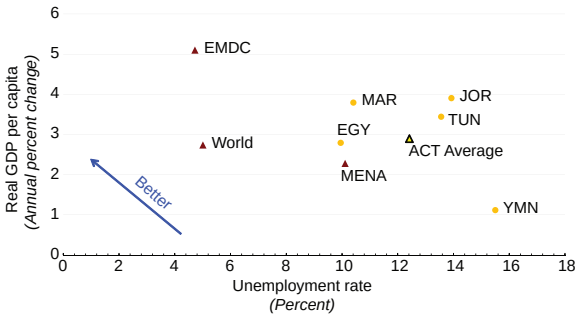
As the political transitions in the ACTs are progressing, countries need to begin laying out road maps for structural economic reform that will guide their economic transitions and tackle structural unemployment. The task at hand is enormous in light of the complex structural transformation challenges, but there is also a vast dividend to be reaped in the form of higher, more inclusive growth and employment. Although strategies will differ, they need to be broadly anchored in a vision to achieve higher, sustained, private sector–led growth. Governments should strive to engineer improvements in labor markets, business regulation and governance, and access to finance, thereby enabling the economy to shift from rent-seeking models to the creation of economic value and jobs. The ACTs themselves will naturally drive these transition agendas, but it will be crucial that the international community support them with adequate financing, improved access to key export markets, and policy advice.

The ACTs have long faced important structural challenges. They have witnessed high unemployment and low labor force participation, symptoms of their economies' lack of dynamism. They have not been able to generate per capita growth on par with other emerging market developing countries, and in addition, the responsiveness of employment to growth has been among the most sluggish in the world (Figure 1). While many ACTs had moved over time from state-led economies to systems relying more on private sector–led growth, public-sector employment has remained much larger than in other regions in the world, and the ACTs were unable to unleash the same economic dynamism that helped lead the economic transformation in emerging markets and developing countries in other regions (Figure 2).

Figure 1

Unemployment and Real GDP per Capita, 2001–10

(Percent)

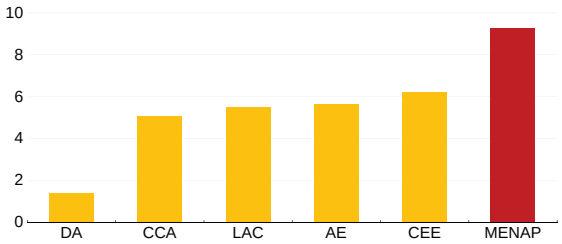


Sources: IMF World Economic Outlook database; World Bank World Development Indicators; and United Nations International Labor Organization.

Figure 2

Public Administration Employment as a Share of Total Employment

(2008–11, percent)[1]



Sources: National authorities; International Labor Organization; IMF World Economic Outlook database; and IMF staff calculations.

[1] AE: Advanced economies; CEE: Central and Eastern Europe; DA: Developing Asia; LAC: Latin America and the Caribbean.

To unlock the ACTs' vast potential, many factors need to come into play, and these will vary across countries. This box explores three key areas: i) labor market and education reforms will be important to ensure adequate skill-building and worker protection; ii) business regulation and governance reforms are needed to ensure simple, transparent, and evenhanded treatment for companies; and iii) improving access to finance will help catalyze entrepreneurship and private investment.

Labor markets in the ACTs are faced with substantial problems. These countries' high rates of unemployment are compounded by significant demographic pressures as more of the young population enters the labor market. Youth unemployment is high, ranging from 18 percent to 30 percent in Egypt, Jordan, Morocco, and Tunisia, and women face particular problems in securing employment. Demographic pressures are substantial: from the start of the transitions through 2015, 8½ million jobs would

Prepared by Harald Finger.

Box 2.7 (*continued*)

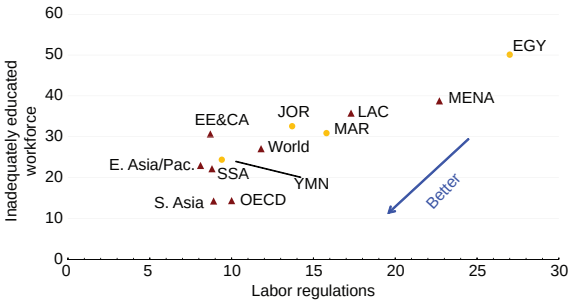
need to be created in these four countries to absorb the unemployed and new entrants into the labor market. Empirical estimates show that, on current growth projections, less than half of the required number of jobs will be created, leaving more than 4½ million people unemployed.

Although the roots of the problems vary across countries, there are some common factors. Labor regulations in the MENA region are perceived as a major constraint that discourages firms from hiring and directs job seekers to the informal sector, where workers do not enjoy the same level of protection as in the formal economy (Figure 3). The (implicit and explicit) employment guarantees in government hiring, and mismatched salary expectations resulting from comparatively generous civil-service pay scales and benefits, have led to market segmentation and excess demand for public-sector jobs. The education system's strong focus on formal qualifications for entry into the civil service has meant that labor market entrants often do not have the right mix of skills for today's job markets. Enterprise surveys show that the share of firms in MENA identifying an inadequately educated workforce as a major constraint (39 percent) is the highest among the world's regions (Figure 3).

Figure 3

Excess Labor Regulations and Education Mismatches[1]

(Percent)



Source: World Bank Enterprise Surveys 2006–11.

[1]Percent of firms identifying each item as a major constraint.

Note: EE & CA = Eastern Europe and Central Asia; SSA = Sub-Saharan Africa.

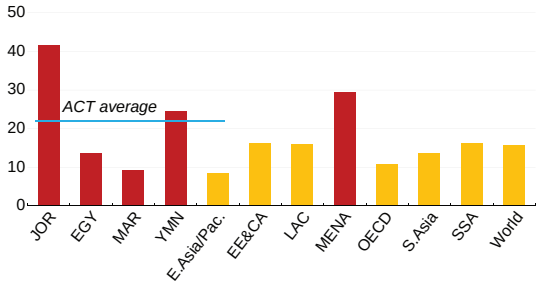
Solutions to these problems will vary among countries, but should generally be centered on five areas: reviewing labor market regulation to reduce disincentives for hiring while maintaining adequate worker protection; revisiting public-sector hiring practices and compensation policies to reduce the public sector's labor market dominance and bias; reforming the education system, aligning it better with the needs of private employers; pursuing active labor market policies to make quicker inroads in lowering unemployment; and placing particular emphasis on policies promoting youth and female employment.

The ACTs are also faced with a legacy of complex and burdensome business regulations, with often lengthy, expensive, and complicated procedures to start and operate businesses. Nearly 30 percent of firms in the MENA region perceive business licensing and permits as a major constraint to their activities, by far the highest share among the world's regions, though the share is substantially lower in Egypt and Morocco (Figure 4). Corruption is also a major issue, with more than one-half of firms in the MENA region having experienced bribe payment requests—a much higher share than in any other region in the world.[1]

Figure 4

Business Licensing and Permits as Major Constraints[1]

(Percent)



Source: World Bank Enterprise Surveys 2006–11.

[1]Percent of firms identifying business licensing and permits as a major constraint.

Although countries have already taken action, continued and intensified efforts are needed. To improve the chances for lasting success, it will be

[1] World Bank Enterprise Surveys.

Box 2.7 (*concluded*)

essential to insulate key national and regional institutions from excessive discretion and nontransparent intervention by creating systems of checks and balances. The experience of East Asia, for example, shows that countries that were effective in creating accountable, rules-based institutions were significantly more successful at generating economic growth than countries where institutions remained subject to arbitrary intervention by political leaders and public officials.

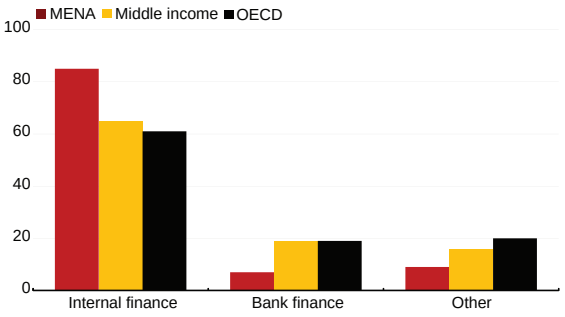
Although countries differ in their reform needs, strategies to reform business regulation should focus on removing the barriers to entry and exit. Entry requirements—such as sector-ministry approval, which give substantial discretion to officials over which investors to favor or exclude—should be reviewed and based on clear and transparent rules. Similarly, high minimum capital requirements and restrictions to foreign ownership should be relaxed, unless they reflect a particular regulatory concern. In addition, the focus of reform efforts should be on removing difficulties to exit, including modern bankruptcy codes that decriminalize business failure.

Access to finance is also a major constraint in the ACTs. Only 10 percent of firms use banks to finance investment in the MENA region, by far the lowest share among the world's regions, and 36 percent of firms in the MENA region identify access to finance as a major constraint, surpassed only by sub-Saharan Africa.[2] Small and medium-sized enterprises, in particular, remain deprived of bank credit and have to rely on internal resources for their investment plans (Figure 5). Strategies for improving access to finance will differ among the ACTs in light of their differing economic starting points, but will center on the areas of developing or strengthening alternatives to bank financing, improving the financial infrastructure, and strengthening competition.

Figure 5

Sources of Invesment Finance: Small and Medium-Sized Enterprises

(2005–10, percent)



Source: Rocha, Arvai, and Farazi (2011).

[2] Ibid.

Annex 2.1. MENAP and CCA Countries: Highly Vulnerable to Food Price Hikes

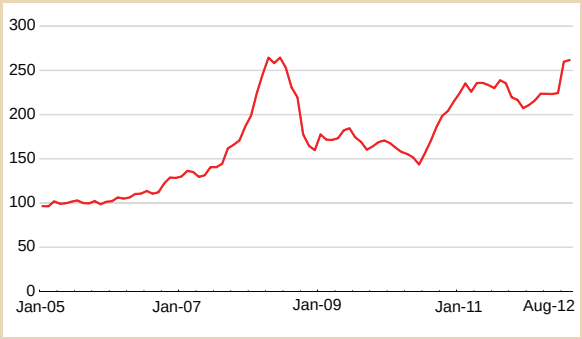
Global food prices are spiking in 2012, raising fears of an escalation in inflation, as during the global food crisis of 2007–08. The current surge in crop prices is centered largely on corn (maize) and soybeans, while wheat and rice prices have also risen sharply in recent months. The major driver of these price increases has been a supply shortfall arising from adverse weather shocks in Australia, the Black Sea region, and North America. Although grain supplies were also affected by export restrictions by major food exporters during the 2007–08 global food crisis, this has not occurred in 2012.

Global food prices (particularly grain prices) have risen rapidly in 2012 and have returned to levels last observed during the global food crisis of 2007–08 (Figure 1). Many of the countries in the Middle East and Central Asia regions are vulnerable to high and rising food prices. This vulnerability arises for those countries that have low grain stocks, high dependence on imported grains for the bulk of their consumption demand, and a large share of food in national consumption baskets.

Many MENAP and CCA countries—particularly Azerbaijan, Iran, Syria, Tunisia, Turkmenistan, and Yemen—have relatively limited wheat stocks, with stock-to-use ratios even lower than those observed in 2007–08 (Figure 2). Given the fragile stock position of many countries, any further disruption of supplies from major commodity exporters could put significant upward pressure on global food and grain prices. Food imports are large in many MENAP and CCA countries, with levels (as a share of GDP) considerably above world averages. In particular, Iraq, the Kyrgyz Republic, Mauritania, and Yemen are dependent on global grain supplies (Figure 3). This dependence is also reflected in the large weight of food in national consumption baskets, so any spike in food prices has the capacity to drastically diminish household purchasing power (Figure 4).

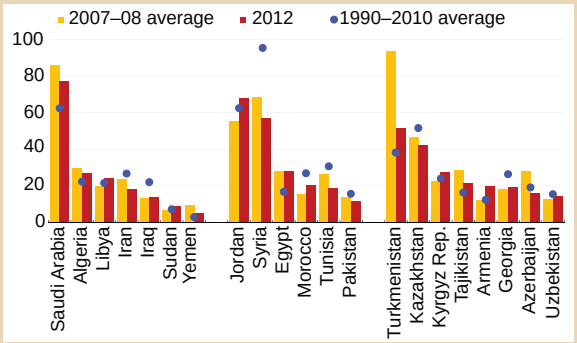
How vulnerable are MENAP and CCA countries to rising food prices? According to a "vulnerability

Figure 1
IMF Food Price Index
(2005=100, January 2005 to August 2012)



Source: IMF, Commodity Price System.
Note: Food index is an average of corn, rice, soybean, and wheat prices.

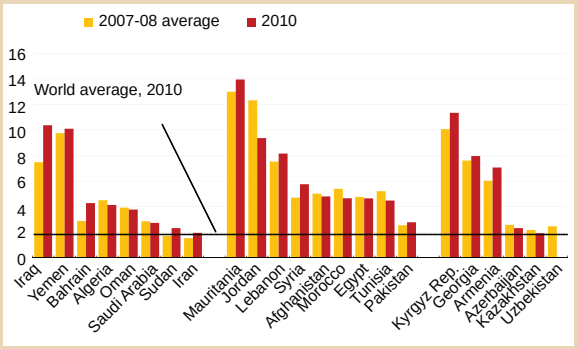
Figure 2
Stock-to-Use Ratio for Wheat
(Percent of domestic consumption)



Source: U.S. Department of Agriculture.

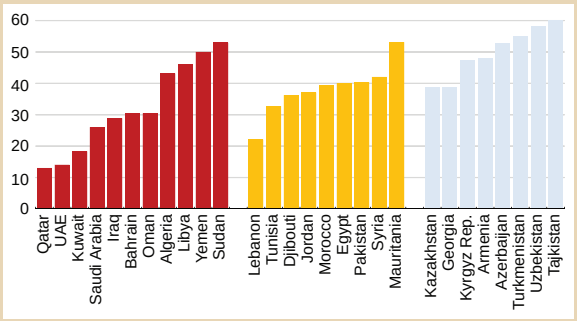
Prepared by Leandro Medina and Paul Cashin with support from Marina Rousset.

Figure 3
Food Imports as a Share of GDP
(Percent)



Sources: National authorities; and IMF staff calculations.

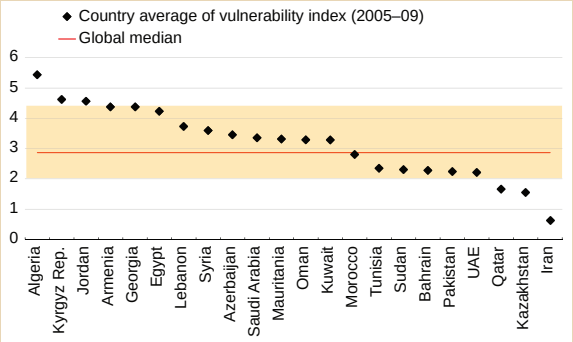
Figure 4
Weight of Food in the Consumer Price Index, 2010
(Percent)



Sources: IMF staff; OECD StatExtracts; and Eurostat.

to food shocks index" developed by IMF staff,[1] almost two-thirds of MENA and CCA countries lie above the world median (higher index denotes higher vulnerability), and six countries (Algeria, Armenia, Egypt, Georgia, Jordan, the Kyrgyz Republic) are extremely vulnerable, with index values above the 75th percentile of the distribution of the vulnerability index (Figure 5). This illustrates that many countries in these regions are particularly vulnerable to food price shocks, not only in absolute terms, but also compared with other countries across the world.

Figure 5
Vulnerability to Food Price Shocks, 1980–2009
(Shaded area represents spread between 25th and 75th percentile of the distribution)



Sources: Combes and others (2012); and IMF staff calculations.
Note: The index has been scaled so that it ranges between zero (low vulnerability) and ten (high vulnerability), with higher values indicating high vulnerability. Calculation of the index is made for the period 1980–2009, using World Bank Development Indicators data on 145 countries (including 22 MENA and CCA countries).

What are some of the macroeconomic consequences of rising food prices? Higher food prices mean higher headline inflation, which erodes household purchasing power. Fiscal and external balances of food-importing countries will also be adversely affected through larger commodity subsidies/social safety net measures and elevated commodity import bills. Rising food prices can also diminish food security at national and household levels, which in turn can engender domestic political discontent and destabilize fragile postconflict/transitional political systems. Indeed, food insecurity has been shown to be the leading cause of social tensions and conflict in the Arab world in recent decades.[2]

[1] The vulnerability index is a weighted combination of: the ratio of food imports to total household consumption (as an indicator of food dependency); the ratio of food imports to total merchandise imports (as an indicator of the burden of food imports); and the inverse of the level of the GDP per capita (which indicates the capacity to provide food safety nets for domestic consumers). See Combes and others (2012). Because of missing data, the index could not be calculated for Afghanistan, Djibouti, Iraq, Libya, Tajikistan, Turkmenistan, Uzbekistan, and Yemen.

[2] See Breisinger and others (2012) and Arezki and Bruckner (2011).

How should the regions' policymakers take these vulnerabilities into account?

Monetary policymakers in emerging and developing countries—which are characterized by large and inelastic shares of food in national consumption baskets and important second-round effects of food inflation on nonfood inflation—are beginning to question the conventional wisdom of focusing on core measures of inflation that exclude food prices. Instead, for many emerging and developing countries, a focus on headline inflation in their policy deliberations—while not ignoring core inflation as a key indicator of domestic inflation—may be more appropriate in ensuring that surging food prices do not unhinge inflation expectations.

Moreover, in an economic environment where many domestic households are credit-constrained, ignoring food price developments can harm the purchasing power of households and adversely affect the distribution of income.[3] To ameliorate food price vulnerability in MENAP and CCA countries, other reforms are needed: not only policies aimed at boosting agricultural production and productivity in countries where food production is below potential (through land reforms, land aggregation, and better access to credit for the agriculture sector), but also those aimed at scaling up well-targeted social safety nets/income transfers for the poor and a time-bound reduction in taxes/tariffs on food (where sustainable fiscal space exists). Generalized price subsidies (or controls) should be avoided, and pressures for public-sector wage increases resisted. On the external side, food-importing countries could also allow greater real exchange rate flexibility and draw upon external finance to support their balance of payments positions.

[3] See also IMF (2011d), Annex 3.1.

MENAP Oil Importers: Selected Economic Indicators

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
Real GDP Growth	**4.9**	**6.8**	**5.3**	**4.2**	**4.0**	**2.0**	**2.1**	**3.3**
(Annual change; percent)								
Afghanistan, Rep. of	…	13.7	3.6	21.0	8.4	5.8	5.2	6.5
Djibouti	2.8	5.1	5.8	5.0	3.5	4.5	4.8	5.0
Egypt	4.4	7.1	7.2	4.7	5.1	1.8	2.0	3.0
Jordan	6.3	8.2	7.2	5.5	2.3	2.6	3.0	3.5
Lebanon	3.0	7.5	9.3	8.5	7.0	1.5	2.0	2.5
Mauritania	4.8	1.0	3.5	–1.2	5.1	4.0	5.3	6.9
Morocco	4.9	2.7	5.6	4.9	3.7	4.9	2.9	5.5
Pakistan	5.1	6.8	3.7	1.7	3.1	3.0	3.7	3.3
Sudan	8.2	12.2	2.3	4.6	2.2	–4.5	–11.2	0.0
Syrian Arab Republic[1]	4.0	5.7	4.5	5.9	3.4	…	…	…
Tunisia	4.6	6.3	4.5	3.1	3.1	–1.8	2.7	3.3
Consumer Price Inflation	**4.5**	**7.1**	**13.0**	**10.2**	**8.5**	**9.9**	**9.7**	**9.2**
(Year average; percent)								
Afghanistan, Rep. of	…	8.6	30.5	–8.3	0.9	13.8	9.1	5.0
Djibouti	2.3	5.0	12.0	1.7	4.0	5.1	4.7	2.4
Egypt	5.1	9.5	18.3	11.7	11.4	9.9	9.7	11.4
Jordan	2.7	4.7	13.9	–0.7	5.0	4.4	4.5	3.9
Lebanon	1.3	4.1	10.8	1.2	4.5	5.0	6.5	5.7
Mauritania	6.5	7.3	7.5	2.1	6.3	5.7	5.9	6.1
Morocco	1.7	2.0	3.9	1.0	1.0	0.9	2.2	2.5
Pakistan	5.0	7.8	10.8	17.6	10.1	13.7	11.0	10.4
Sudan	7.6	8.0	14.3	11.3	13.0	18.3	28.6	17.0
Syrian Arab Republic[1]	3.8	4.7	15.2	2.8	4.4	…	…	…
Tunisia	2.9	3.4	4.9	3.5	4.4	3.5	5.0	4.0
General Gov. Overall Fiscal Balance	**–4.5**	**–5.2**	**–5.6**	**–5.0**	**–5.6**	**–7.0**	**–7.8**	**–7.4**
(Percent of GDP)								
Afghanistan, Rep. of	…	–2.0	–4.0	–1.3	0.9	–0.9	–0.8	–0.6
Djibouti	–1.9	–2.6	1.3	–4.6	–0.5	–0.7	0.4	0.8
Egypt	–6.8	–7.5	–8.0	–6.8	–7.8	–9.9	–11.1	–9.8
Jordan[2]	–3.0	–5.7	–5.5	–8.9	–5.6	–5.7	–6.5	–5.5
Lebanon[2]	–14.6	–10.8	–9.5	–8.3	–7.7	–6.1	–7.9	–8.3
Mauritania[2,3]	…	–1.6	–6.5	–5.1	–1.5	–1.5	–2.4	–2.3
Morocco[2]	–5.0	–0.1	0.7	–1.8	–4.4	–6.9	–6.1	–5.3
Pakistan	–2.8	–5.5	–7.3	–5.0	–5.9	–6.4	–6.4	–7.2
Sudan	–0.9	–2.5	–0.1	–4.2	–0.4	–1.3	–4.0	–3.9
Syrian Arab Republic[1]	–1.9	–3.0	–2.9	–2.9	–4.8	…	…	…
Tunisia	–2.7	–2.8	–0.7	–2.6	–0.9	–3.1	–6.4	–5.3
Current Account Balance	**–0.8**	**–2.5**	**–4.1**	**–4.8**	**–3.1**	**–3.5**	**–5.2**	**–4.4**
(Percent of GDP)								
Afghanistan, Rep. of	…	5.8	5.1	1.6	3.9	3.3	2.1	0.5
Djibouti	–2.0	–21.4	–24.3	–9.1	–5.8	–12.6	–12.2	–12.5
Egypt	1.6	1.7	0.5	–2.3	–2.0	–2.6	–3.4	–3.3
Jordan	0.2	–17.2	–9.3	–4.9	–7.1	–12.0	–14.1	–9.9
Lebanon	–13.8	–6.8	–9.2	–9.8	–9.6	–14.0	–16.2	–15.6
Mauritania	–16.3	–17.2	–14.8	–10.7	–8.7	–7.5	–23.6	–13.9
Morocco	2.2	–0.1	–5.2	–5.4	–4.3	–8.0	–7.9	–5.4
Pakistan	0.8	–4.8	–8.5	–5.7	–2.2	0.1	–2.0	–1.7
Sudan	–5.7	–5.9	–2.0	–10.0	–2.1	–0.5	–7.8	–6.6
Syrian Arab Republic[1]	–1.8	–0.2	–1.3	–3.6	–3.3	…	…	…
Tunisia	–2.8	–2.4	–3.8	–2.8	–4.8	–7.3	–7.9	–7.7

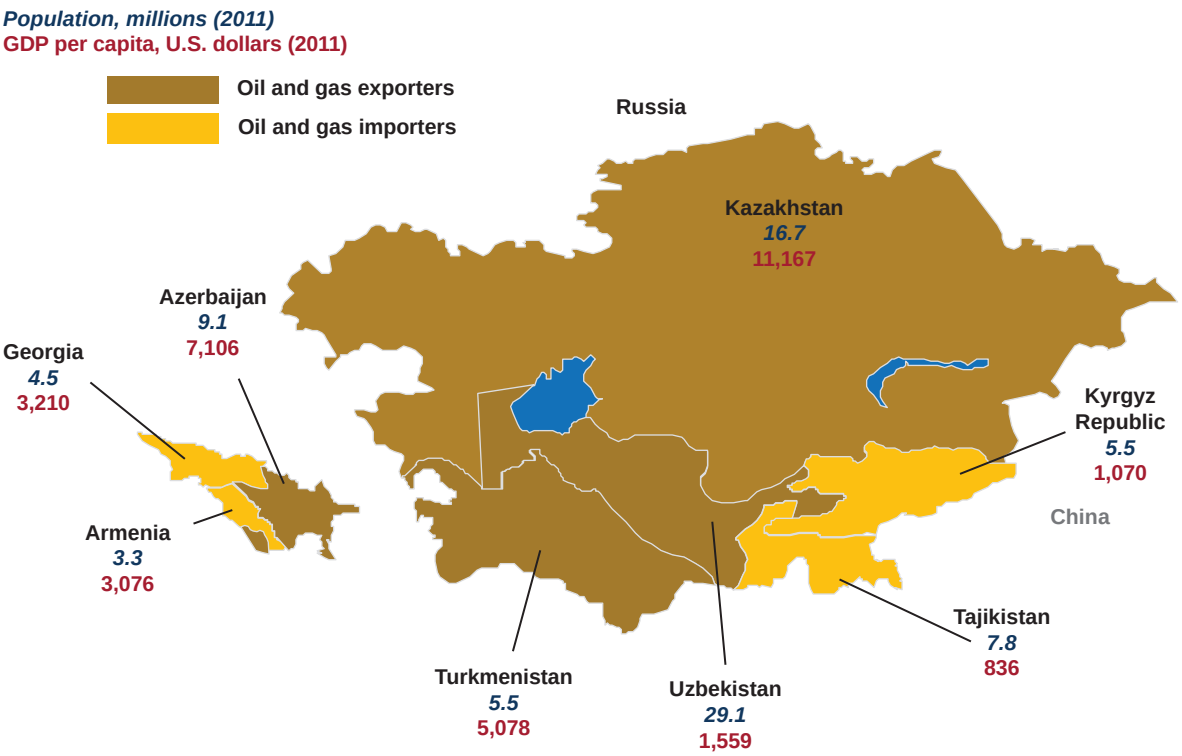
Sources: National authorities; and IMF staff estimates and projections.

[1] 2011–13 data exclude Syria due to the uncertain political situation.

[2] Central government.

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

Caucasus and Central Asia



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

The Caucasus and Central Asia (CCA) countries continue to post a solid recovery from the global financial crisis, and the region's economic outlook remains favorable. Resilient growth, projected at an average of about 5½ percent for 2012 and 2013, reflects high oil prices that are benefiting the region's oil and gas exporters, supportive commodity prices and remittance inflows for the oil and gas importers, and, for both groups, moderate direct exposure to Europe. The positive outlook provides an opportunity to strengthen policy buffers to prepare for any downside risks, such as a slowdown of world commodity demand or rising food prices.

Favorable Outlook

Growth for the region's oil- and gas-exporting countries—Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan—is projected to moderate slightly to about 5½ percent in 2012 and 2013 from about 7 percent in 2011, with lower growth in hydrocarbon production. However, public spending and directed credit will continue to ensure robust activity in the non-oil sector. For the oil- and gas-importing countries—Armenia, Georgia, the Kyrgyz Republic, and Tajikistan—growth will remain firm at 5 percent in 2012, before increasing to 5.8 percent in 2013. Robust remittance inflows from Russia and still-favorable commodity terms of trade underpin this outlook, with the Kyrgyz Republic benefiting from higher gold production.

Inflation across the CCA is projected to remain fairly muted on average in 2012, thanks to rapidly falling food inflation in the oil- and gas-importing countries. However, higher global food prices, if sustained, may rekindle inflation given the high sensitivity of local food prices to global prices, particularly in the oil and gas importers. The oil- and gas-exporting countries could cushion the impact through temporary subsidies or similar measures, which their substantial fiscal space can accommodate. The oil and gas importers are slowly rebuilding their fiscal buffers, but these fall well short of what is needed to enable a policy response in the event of adverse shocks in commodity markets. Potential fiscal costs associated with supporting weak state banks also cloud the fiscal picture in the Kyrgyz Republic and Tajikistan.

Be Prepared for Headwinds; Enhance Social Safety Nets and Governance

Policymakers across the CCA can take advantage of the still-favorable outlook to continue with efforts to build policy buffers, while renewing their focus on crisis preparedness. For oil- and gas-importing countries, this implies a steady, gradual reduction in fiscal deficits, but also greater exchange rate flexibility to protect reserves. Oil- and gas-exporting countries need to improve the quality of public spending, reduce the share of current spending, and develop a tax base to ensure the robustness of fiscal policy against the possibility of potentially sustained low oil prices. To make growth more inclusive, all countries need to develop more responsive social safety nets and improved tax and transfer systems, while investing in health, education, and infrastructure. The design of social safety nets should consider active labor market policies that promote the hiring of younger workers.

Should severe shocks materialize, all countries have the space for relaxing monetary policy. In addition, oil and gas exporters have the important option of drawing down financial assets or increasing borrowing to protect key public capital spending. However, the management of resource wealth and, more generally, spending on strategic projects or sectors should be subject to greater accountability and transparency, the foundation for more inclusive growth in the medium term. This extends to the various state-sponsored development banks/funds being set up across the region. Meanwhile, ensuring that all businesses benefit from a level playing field remains vital for spurring job creation and private investment.

CCA Region: Selected Economic Indicators, 2000–13

(Percent of GDP, unless otherwise indicated)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
CCA								
Real GDP (annual growth)	10.0	12.3	6.8	3.7	6.7	6.7	5.7	5.5
Current Account Balance	–0.9	1.5	8.8	0.4	5.0	8.7	6.3	4.6
Overall Fiscal Balance	1.1	3.1	6.1	0.8	3.7	6.3	3.5	2.9
Inflation, p.a. (annual growth)	9.5	11.4	16.5	6.2	7.0	9.1	5.8	7.2
CCA oil and gas exporters								
Real GDP (annual growth)	10.4	12.6	7.0	4.9	7.2	6.8	5.8	5.5
Current Account Balance	–0.1	3.5	12.4	1.8	6.7	10.6	8.1	6.0
Overall Fiscal Balance	1.9	4.3	7.8	2.1	5.1	7.8	4.7	3.9
Inflation, p.a. (annual growth)	9.9	11.9	16.8	6.5	7.0	8.9	6.3	7.3
CCA oil and gas importers								
Real GDP (annual growth)	7.9	11.2	5.7	–3.5	4.0	6.2	5.0	5.8
Current Account Balance	–5.7	–11.7	–15.5	–10.1	–9.2	–8.5	–9.7	–8.2
Overall Fiscal Balance	–2.6	–3.4	–3.6	–6.8	–5.3	–3.3	–3.8	–3.1
Inflation, p.a. (annual growth)	7.7	8.8	14.4	4.2	7.1	10.7	2.6	6.5

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

В странах Кавказа и Центральной Азии (КЦА) по-прежнему наблюдается динамичный подъем после мирового финансового кризиса, и экономические перспективы региона остаются благоприятными. Стойкий рост, средние темпы которого прогнозируются на уровне примерно 5½ процента в 2012 и 2013 годах, объясняется высокими ценами на нефть в случае стран-экспортеров нефти и газа региона, благоприятными ценами на биржевые товары и притоками денежных переводов мигрантов в случае стран-импортеров нефти, а также, для обеих групп, умеренным прямым воздействием экономической ситуации в Европе. Благоприятные перспективы создают возможность укрепить резервы для проведения политики, чтобы подготовиться к любым возможным рискам ухудшения перспектив роста, таким как снижение мирового спроса на биржевые товары или повышение мировых цен на продовольствие.

Благоприятные перспективы

Прогнозируется, что рост в странах-экспортерах нефти и газа в регионе (Азербайджане, Казахстане, Туркменистане и Узбекистане) несколько замедлится, примерно до 5½ процента в 2012 и 2013 годах по сравнению с приблизительно 7 процентами в 2011 году по мере снижения темпов роста производства нефти и газа. Вместе с тем, государственные расходы и целевые кредиты по-прежнему будут поддерживать активный рост в ненефтяном секторе. В странах-импортерах нефти и газа в регионе (Армении, Грузии, Кыргызской Республике и Таджикистане) рост будет прочно держаться на уровне 5 процентов в 2012 году, а затем повысится до 5,8 процента в 2013 году. Такие прогнозы основаны на активных притоках денежных переводов из России и все еще благоприятных условиях торговли биржевыми товарами, при этом в Кыргызской Республике будет увеличиваться производство золота.

Инфляция в регионе КЦА, по прогнозам, в среднем будет оставаться достаточно умеренной благодаря быстро снижающейся инфляции продовольственных цен в странах-импортерах нефти и газа. Однако повышение мировых цен на продовольствие, если оно будет долговременным, может снова разжечь инфляцию, учитывая высокую чувствительность внутренних цен на продовольствие, особенно в странах-импортерах нефти и газа, к мировым ценам. В странах-экспортерах нефти и газа есть возможность смягчить это влияние за счет временных субсидий или аналогичных мер, которые не создадут напряжения в условиях имеющегося у них достаточно широкого пространства для бюджетного маневра. Страны-импортеры нефти и газа медленными темпами восстанавливают бюджетные резервы, но эти резервы существенно меньше того, что необходимо для проведения ответных мер политики в случае негативных потрясений на рынках биржевых товаров. В Кыргызской Республике и Таджикистане бюджетные перспективы также омрачаются потенциальными издержками для бюджета, связанными с поддержкой ослабленных государственных банков.

Подготовиться к неблагоприятному воздействию; укрепить механизмы социальной защиты и систему управления

Директивные органы во всех странах КЦА могут воспользоваться все еще благоприятными перспективами для продолжения наращивания резервов для проведения политики, при этом вновь уделяя больше внимания обеспечению готовности к кризисам. Для стран-импортеров нефти и газа это потребует устойчивого постепенного уменьшения бюджетных дефицитов, а также

повышения гибкости обменных курсов для защиты резервов. Странам-экспортерам нефти и газа необходимо повысить качество государственных расходов, уменьшить долю текущих расходов и расширить налоговую базу, чтобы обеспечить надежность налогово-бюджетной политики на случай установления стабильно низких цен на нефть. Для того чтобы рост охватывал более широкие слои населения, всем странам необходимо разработать системы социальной защиты, которые бы лучше реагировали на складывающиеся обстоятельства, а также более качественные системы налогов и трансфертов, одновременно вкладывая средства в здравоохранение, образование и инфраструктуру. При разработке систем социальной защиты следует предусмотреть активные меры политики на рынке труда, способствующие приему на работу молодых работников.

В случае серьезных потрясений все страны имеют потенциал для ослабления денежно-кредитной политики. Кроме того, страны-экспортеры нефти и газа будут иметь важную возможность расходовать имеющиеся финансовые активы или увеличивать заимствования для защиты важнейших государственных капитальных расходов. Однако для обеспечения в среднесрочной перспективе основы роста, охватывающего более широкие слои населения, следует повысить степень подотчетности и прозрачности в сфере управления богатством, связанным с природными ресурсами, и, в более широком плане, расходов на стратегические проекты или отрасли. Это распространяется на различные финансируемые государством банки и фонды развития, создаваемые в регионе. В то же время, для ускорения процесса создания рабочих мест и увеличения частных инвестиций крайне необходимым является обеспечение ситуации, когда все коммерческие предприятия находятся в равных условиях.

КЦА: отдельные экономические показатели, 2000–13 годы

(В процентах ВВП, если не указано иное)

	Среднее						Прогнозы	
	2000–06	2007	2008	2009	2010	2011	2012	2013
КЦА								
Реальный ВВП (годовые темпы роста)	10.0	12.3	6.8	3.7	6.7	6.7	5.7	5.5
Сальдо счета текущих операций	–0.9	1.5	8.8	0.4	5.0	8.7	6.3	4.6
Общее сальдо бюджета	1.1	3.1	6.1	0.8	3.7	6.3	3.5	2.9
Инфляция За год (годовые темпы)	9.5	11.4	16.5	6.2	7.0	9.1	5.8	7.2
Экспортеры нефти и газа КЦА								
Реальный ВВП (годовые темпы роста)	10.4	12.6	7.0	4.9	7.2	6.8	5.8	5.5
Сальдо счета текущих операций	–0.1	3.5	12.4	1.8	6.7	10.6	8.1	6.0
Общее сальдо бюджета	1.9	4.3	7.8	2.1	5.1	7.8	4.7	3.9
Инфляция За год (годовые темпы)	9.9	11.9	16.8	6.5	7.0	8.9	6.3	7.3
Импортеры нефти и газа КЦА								
Реальный ВВП (годовые темпы роста)	7.9	11.2	5.7	–3.5	4.0	6.2	5.0	5.8
Сальдо счета текущих операций	–5.7	–11.7	–15.5	–10.1	–9.2	–8.5	–9.7	–8.2
Общее сальдо бюджета	–2.6	–3.4	–3.6	–6.8	–5.3	–3.3	–3.8	–3.1
Инфляция За год (годовые темпы)	7.7	8.8	14.4	4.2	7.1	10.7	2.6	6.5

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.

3. Caucasus and Central Asia: Economic Activity Resilient, but Uncertainty Remains

The CCA countries continue to do well at safeguarding their recovery from the global crisis, and their economic outlook remains broadly favorable. This positive outlook reflects the region's moderating direct exposure to Europe, the benefits of high oil prices for hydrocarbon exporters, and, for the oil importers, still-supportive commodity prices and robust remittances. Headwinds come from a slowdown of world commodity demand and rising global food prices. Growth is projected to slow marginally in 2012–13, mainly on account of lower growth in oil and gas production, and inflation is likely to remain muted. The authorities should continue to rebuild policy space, address vulnerabilities, and tackle deep structural obstacles to inclusive growth. Ensuring that all businesses, not just connected firms, can thrive, remains vital for job creation.

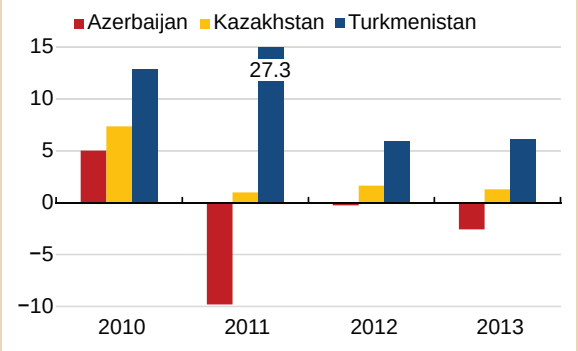
Oil and Gas Exporters

Exporters See Solid Growth and Moderating Inflation

Overall growth in 2012–13 is projected to moderate slightly for CCA oil and gas exporters following its strong post-Lehman rebound in 2010–11. Growth is projected at about 5½ percent in both 2012 and 2013. Lower aggregate growth for the oil and gas exporters reflects mainly continued limited growth in the energy sector, particularly in the two largest oil economies of the region, Azerbaijan and Kazakhstan (Figure 3.1). Growth in the oil and gas sector is projected to increase marginally to 1.7 percent in 2012 from 1.4 percent in 2011, and then fall back to about 1 percent in 2013. However, the Turkmen gas sector is expected to continue to expand strongly via a new pipeline to China, with Uzbekistan's link becoming operational in September 2012 (Figure 3.2).

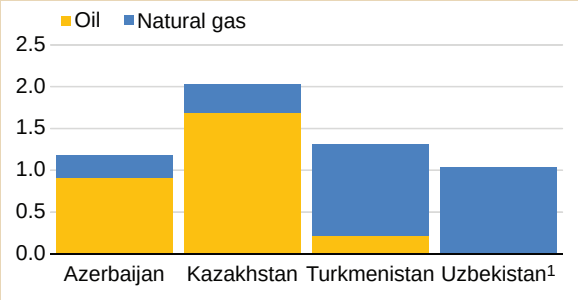
Growth in the non-oil sectors of these countries is also projected to moderate, partly reflecting reduced crops in 2012 following the exceptional harvest of 2011. Overall non-oil growth in the oil and gas exporters, driven by continued public spending, is projected to decelerate to 6.6 percent in 2012 and 2013, from 9.2 percent in 2011 (Figure 3.3).

Figure 3.1
Growth of Oil GDP
(Percent)



Sources: National authorities; and IMF staff calculations.

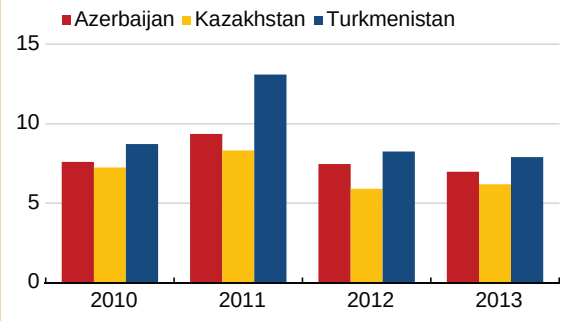
Figure 3.2
Crude Oil and Natural Gas Production
(Millions of barrels per day)



Sources: National authorities; IMF staff calculations; and British Petroleum (2012).
[1]About one-fifth exported.

Prepared by Gabriel Sensenbrenner with input from country teams.

Figure 3.3
Growth of Non-Oil GDP
(Percent)



Sources: National authorities; and IMF staff calculations.

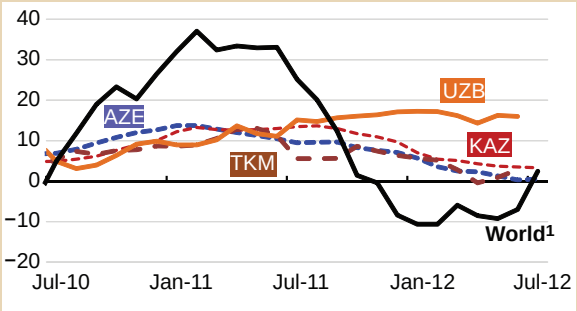
Inflation has been brought down from the elevated levels of 2011, although abundant local harvests in 2011 and lower global food prices during the first half of 2012 also played a part (Figure 3.4). Average consumer price inflation is projected to fall from 8.9 percent in 2011 to 6.3 percent in 2012, mainly on account of successful policies in Azerbaijan and Kazakhstan, where headline inflation has fallen to record low levels. Inflation is forecast to pick up to 7.3 percent in 2013, reflecting the expansionary fiscal stances in place for 2012, tariff increases in Kazakhstan, and possible pass-through of global food prices that started to increase in mid-2012. Governments continue to act through public enterprises to control local food prices, and global developments had limited impact on local prices in 2011. Inflation in Uzbekistan will likely remain in double digits as the authorities raise administered prices. Across this group of countries, monetary policy remains neutral to accommodative, partly reflecting inflexible exchange rate regimes, with Kazakhstan having lowered policy rates four times in 2012.

Comfortable External and Fiscal Buffers

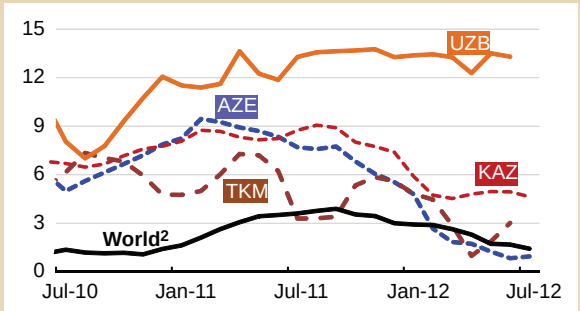
Overall current account balances are projected to post continued surpluses in 2012 and 2013, although at lower levels than in previous years, owing mainly to lower projected global energy prices (Figure 3.5). Turkmenistan's sustained public investment program, including its investments in the gas sector, will, however, result in small deficits in both years. All countries are likely to record further increases in reserves and/or foreign assets in sovereign wealth funds (Figure 3.6), but gross external debts of the public and private sectors will remain minimal, with the notable exception of Kazakh private debt. Assessments of exchange rate levels indicate neutral to mild undervaluation in Azerbaijan, Kazakhstan, and Uzbekistan, and neutral to mild overvaluation in Turkmenistan.

Overall fiscal surpluses in the CCA oil and gas exporters are projected to decline, owing mainly to lower global oil prices; Turkmenistan is the main exception, with growing gas exports to China. Non-oil fiscal deficits are expected to remain at multiyear highs of about 20 percent (of non-oil GDP) in 2012,

Figure 3.4
Food Price Inflation
(Twelve-month change, percent)

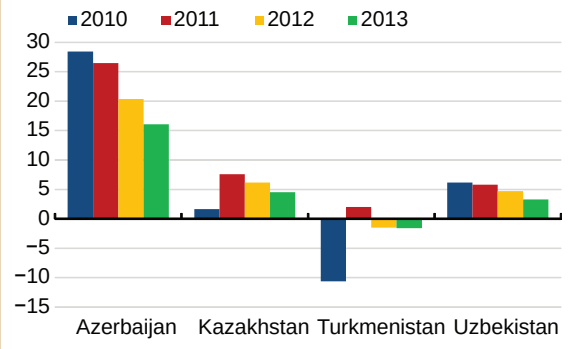


Headline CPI Inflation
(Twelve-month change, percent)



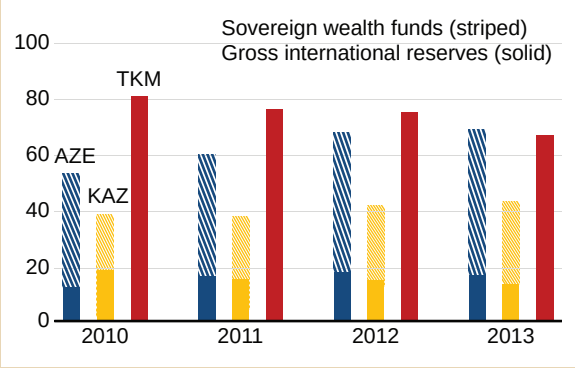
Sources: National authorities; IMF, Commodity Price System; and IMF staff calculations.
[1]IMF world food price inflation.
[2]IMF world commodity price inflation.

Figure 3.5
Current Account Balance
(Percent of GDP)



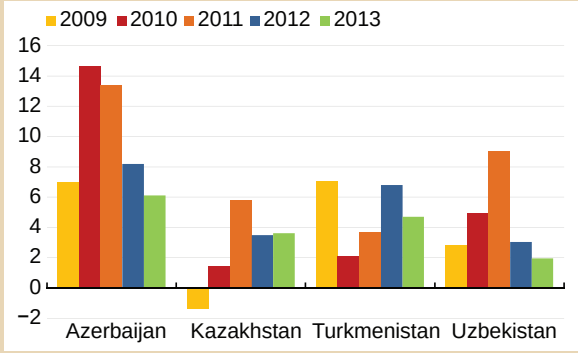
Sources: National authorities; and IMF staff estimates.

Figure 3.6
Reserves plus Sovereign Wealth Funds
(Percent of GDP)



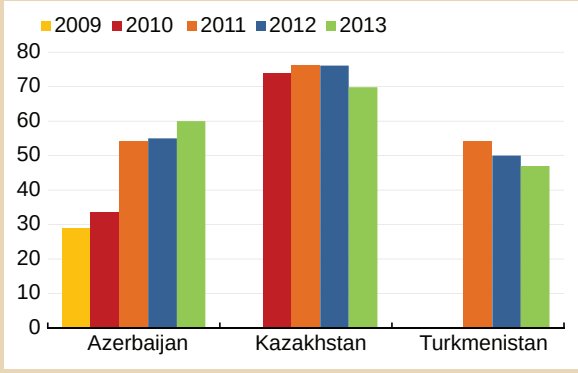
Sources: National authorities; and IMF staff estimates.

Figure 3.7
Fiscal Balance
(Percent of GDP)



Sources: National authorities; and IMF staff estimates.

Figure 3.8
Breakeven Fiscal Oil Prices
(Dollars per barrel)

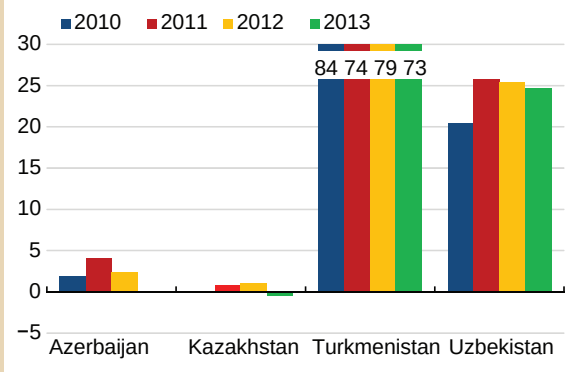


Sources: National authorities; and IMF staff estimates.

before falling in 2013 to about 17 percent across the board (Figure 3.7). Although—with the exception of Azerbaijan—these countries' deficits are much lower than those of the MENA oil exporters, the recent pace of public spending may pose overheating risks, with very high rates of public investment raising questions about economic returns.

The steady increase in breakeven fiscal oil and natural gas prices also makes budgets vulnerable to sustained declines in global energy prices (Figure 3.8). However, rising levels of government financial wealth, in the form of deposits in the local banking system or sovereign wealth reserves held abroad, translate into significant capacity to act countercyclically in the presence of an adverse oil shock (Figure 3.9).

Figure 3.9
Government Net Deposits in Banking System
(Percent of GDP)



Sources: National authorities; and IMF staff estimates.

Governance Constrains Inclusive Growth, Social Stability

Measurement of fiscal balances and the fiscal policy stance is subject to large margins of error, given generally opaque public financial management systems, sizable revenues from mineral commodities in some cases, and poor transparency in the management of resource wealth; Azerbaijan stands out for its highly transparent oil fund. Other symptoms of weak governance include the widespread reliance on quasi-fiscal activities by national nonrenewable resource companies and other state-related businesses, use of government-controlled banks or funds to direct lending and investment to connected borrowers and strategic enterprises, and bailouts of private bank shareholders. Improved governance would help reduce the size of the informal sector of the economy, extend the social safety net to the most vulnerable, and ensure a fairer distribution of resource wealth (Annex 3.1).

Financial Sector Repair a Lingering Issue

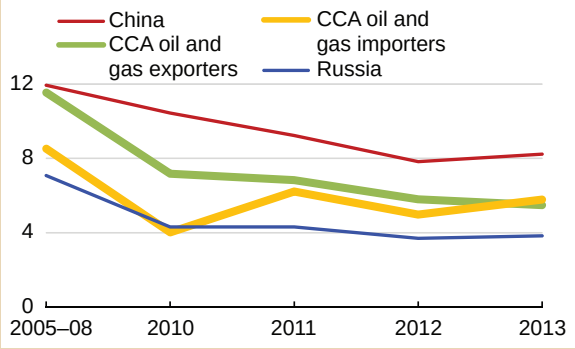
The region has not been immune to banking sector risks. High credit growth in the period leading up to the global financial crisis, as well as directed credit by state-related banks, has impaired the banking system in Azerbaijan and Kazakhstan. Forbearance has allowed some banks to continue operating, but resilient economic growth has helped mask the underlying stress on weak banks. In Turkmenistan, credit to the private sector, which excludes state enterprises, has grown in excess of 70 percent per year since 2007, potentially compromising bank soundness.

Oil and Gas Importers

Economic Activity Resilient, but Policy Space Insufficient

Overall growth in CCA oil and gas importers will remain firm at about 5 percent in 2012 and increase to 5.8 percent in 2013, notwithstanding the softness in global commodity markets (Figure 3.10).

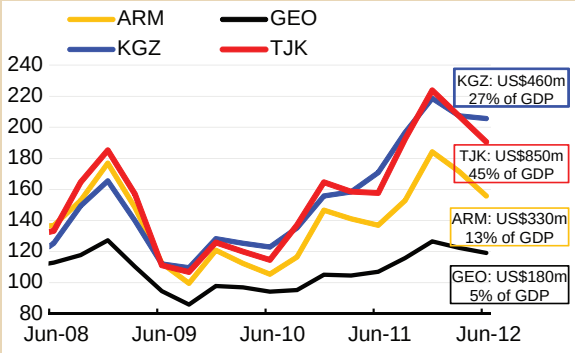
Figure 3.10
Real GDP
(Annual growth, percent)



Sources: National authorities; IMF (2012d); and IMF staff estimates.

Georgia, the group's largest economy, is expected to continue to perform strongly, fueled by healthy activity in services and manufacturing and strong investment. But the wide current account deficit and uncertainties associated with the political transition remain a risk. Weaknesses in real estate will continue to constrain growth in Armenia, the second-largest CCA oil importer. The Kyrgyz Republic will underperform in 2012 on account of delays in gold production (representing about 12 percent of GDP) and lower agricultural output; a rebound is projected for 2013 (Box 3.1). Remittances from Russia to CCA oil importers have grown in excess of 25 percent year over year, and are a major driver of CCA growth (Figure 3.11).

Figure 3.11
Remittances from Russia to CCA Countries[1]
(Three-month moving average, 2008:Q1=100)



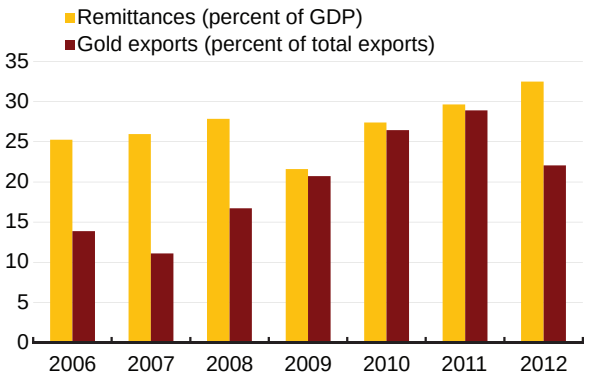
Source: Central Bank of Russia.
[1]Boxes show the latest data available (2012:Q2).

Box 3.1

The Kyrgyz Republic: Emerging from a Domestic Crisis

The Kyrgyz economy is one of the most open in the region and depends on gold exports, remittances, and intermediating trade between China and the Commonwealth of Independent States. Rising international gold prices and an increase in mining volumes have tripled the share of gold exports in total exports over the past five years (Figure 1). Relative to its size, the Kyrgyz economy is one of the largest recipients of remittances in the world—remittances (mostly from Russia) are 20 times what they were a decade ago.

Figure 1
Gold Exports and Remittances

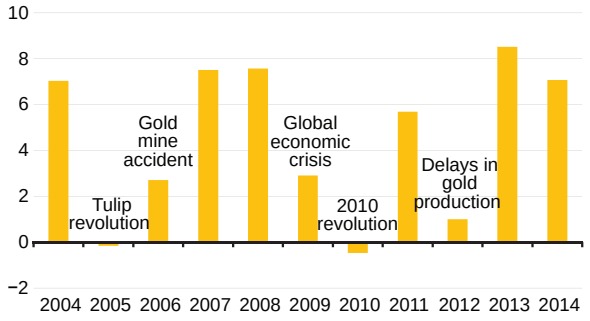


Sources: National authorities; and IMF staff estimates.

In 2010, a popular uprising—the second after independence—led to a temporary drop in growth and exacerbated financial sector problems. Political unrest led to a deterioration of the security situation, particularly in the south of the country. The economy, which had grown at an annual average rate of 6 percent in 2006–09, shrank by 0.5 percent. Asia Universal Bank (AUB), which accounted for 50 percent of banking system deposits, experienced a massive outflow of nonresident deposits. AUB's assets also shrank sharply as loan performance deteriorated, mainly because of connected and insider lending. Subsequently, AUB was nationalized. The central bank also introduced temporary administration in six other banks to prevent capital flight and limit contagion.

More recently, greater political stability and the authorities' efforts have restored growth. In 2010–11, an interim government introduced constitutional reforms that strengthened the role of parliament and reduced the powers of the executive. Subsequent elections, which gave the voters a choice of political alternatives, led to the formation of a multiparty parliament and a coalition government. Economic growth recovered to 5.7 percent in 2011, supported by a favorable external environment and timely involvement of the international donor community. The crisis prompted the central bank to embark on comprehensive legal reforms and resolve the remaining problem banks to address weaknesses and restore confidence in the financial sector. Although the collapse of the ruling coalition in August 2012 created uncertainty, it was short-lived as a new government was swiftly formed. Temporary delays in gold production are the main reason behind the expected decline in growth to about 1 percent in 2012; the pace of economic activity is expected to rebound rapidly in 2013–14 (Figure 2).

Figure 2
Growth Volatility
(Year-over-year percent change)



Sources: National authorities; and IMF staff estimates.

The Kyrgyz authorities are keen to achieve sustainable and inclusive private sector–led growth. To this end, strengthening governance and combating corruption, along with improving the business climate, will be key. Fiscal consolidation will play a pivotal role in safeguarding macroeconomic stability and rebuilding policy buffers. Finally, restoring the health of the country's financial sector will foster a more effective allocation of scarce resources, thereby supporting growth.

Prepared by Christian Beddies, David Amaglobeli, and Bahrom Shukurov.

Inflation Low, but Sensitive to Global Food Prices

Rapidly falling food inflation and appropriate monetary policy have pulled average inflation down from 10.7 percent in 2011 to 2.6 percent in 2012 in the CCA oil and gas importers (Figure 3.12). Average annual inflation for 2012 is projected at less than 3 percent in Armenia and the Kyrgyz Republic, and virtually zero in Georgia. Average inflation is expected to rebound to 6.5 percent in 2013, as recent increases in global food prices begin to spill over in light of the high sensitivity of local food prices to global prices, although Armenia's inflation will stay low on account of a strong 2012 harvest. Core inflation remains elevated in the Kyrgyz Republic and Tajikistan.

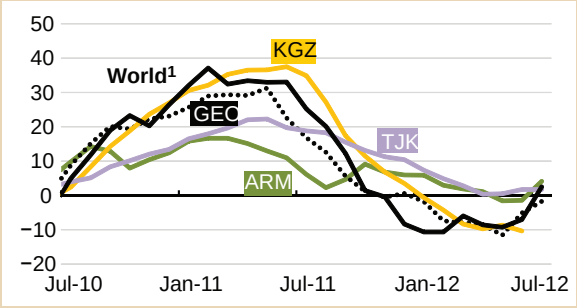
Exchange Rate Flexibility Needed to Shore Up External Buffers

Prices for commodity exports, though lower than in 2011, have so far not widened current account deficits, except in Georgia, where strong growth and currency appreciation have prompted a surge in imports (Figure 3.13). The much larger external deficit in the Kyrgyz Republic reflects

Figure 3.12

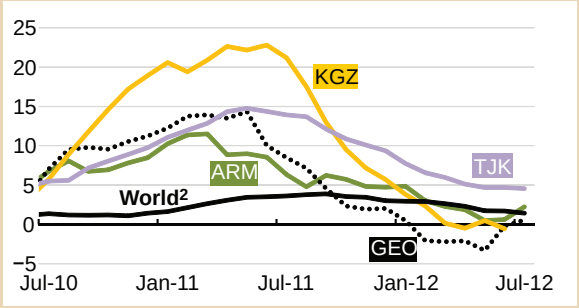
Food Price Inflation

(Twelve-month change, percent)



Headline CPI Inflation

(Twelve-month change, percent)



Sources: National authorities; IMF, Commodity Price System; and IMF staff estimates.

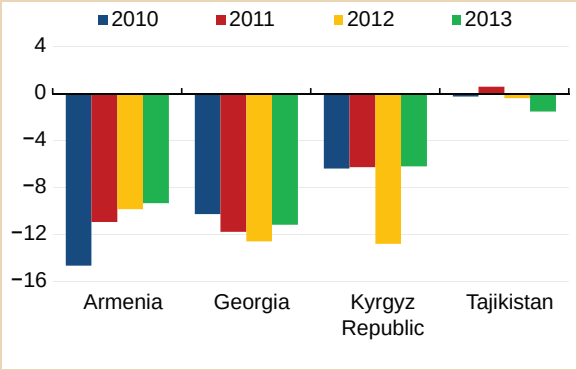
[1]IMF world food price inflation.

[2]IMF world commodity price inflation.

Figure 3.13

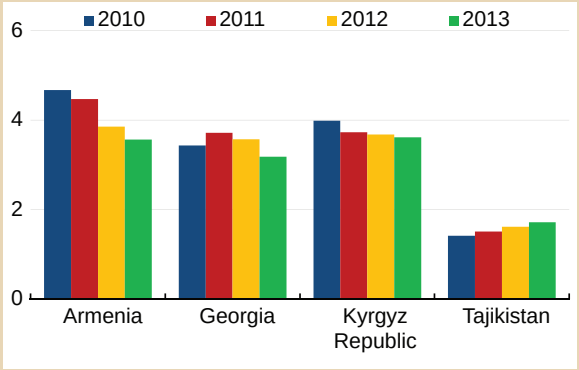
Current Account Balance

(Percent of GDP)



Gross International Reserves

(Months of next year's imports)



Sources: National authorities; and IMF staff estimates.

an unusually high oil bill and temporary delays in gold production. Current account deficits are projected to remain elevated in Armenia and Georgia; some overvaluation of exchange rates is likely to have played a role. With foreign direct investment not having recovered to precrisis levels, financing gaps in 2012–13 will be mainly covered by a drawdown of international reserves and official sources in Armenia and eurobond financing in Georgia. Tajikistan stands out in this group as having achieved current account positions in broad equilibrium over the past few years, as large remittance flows (one-half of the labor force works abroad) offset trade deficits. In the Kyrgyz Republic, progress in compiling external debt statistics has disclosed an almost 30 percentage point higher external debt-to-GDP ratio, primarily owing to lending intermediated by offshore vehicles.

Fiscal Space Insufficient to Accommodate Large Shocks

Efforts to rebuild fiscal buffers are proceeding, but fall short of what is needed to enable countercyclical action in the event of a serious downturn in commodity markets (Figure 3.14). Some deterioration in overall fiscal balances is projected for 2012, but this reflects mainly the circumstances of the Kyrgyz Republic (gold-related revenues expected in 2012 will materialize in 2013) and Tajikistan (wages and social spending). In all four countries, fiscal deficits are projected to narrow in 2013 through tighter control over spending and some delays in public investment projects (Armenia, Tajikistan). Accordingly, government debt-to-GDP ratios are expected to remain on declining paths, particularly in Georgia, where fiscal consolidation was rewarded with rating upgrades in November 2011.

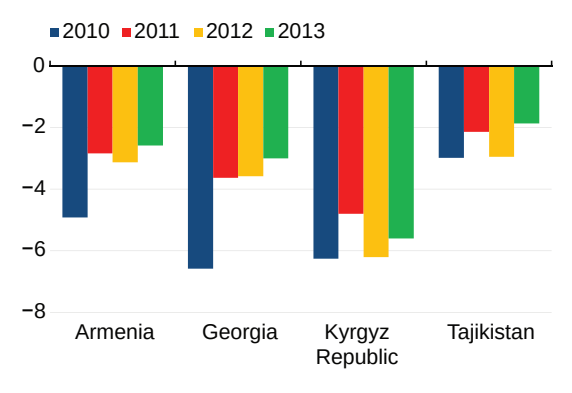
Quasi-fiscal liabilities, including those relating to weak state banks, cloud the debt outlook in Tajikistan, and potentially in the Kyrgyz Republic. Governance issues remain high on the policy agenda in both countries, where, as in Armenia, the playing field for large and small businesses is not level. Better governance would help promote the formal economy, contribute to greater sharing of economic gains, and improve productivity.

Downside Risks: Moderate Impact from Euro Area Crisis

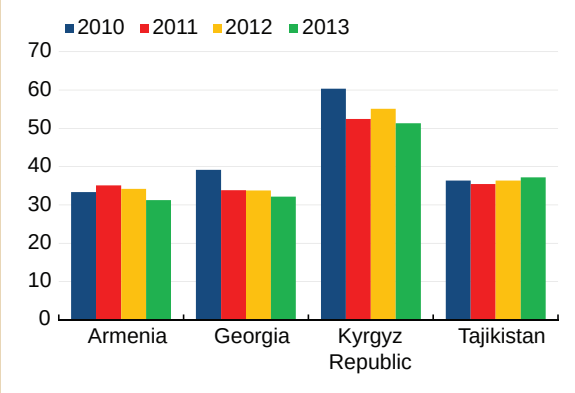
Downside risks to the economic outlook across the CCA region are largely related to developments in global commodity and energy markets, though substantial tail risks remain with respect

Figure 3.14

Fiscal Balance
(Percent of GDP)



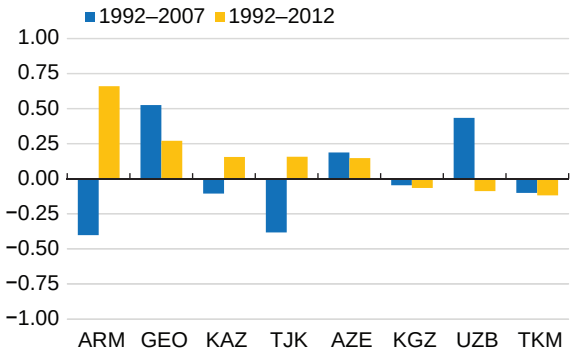
Government Debt
(Percent of GDP)



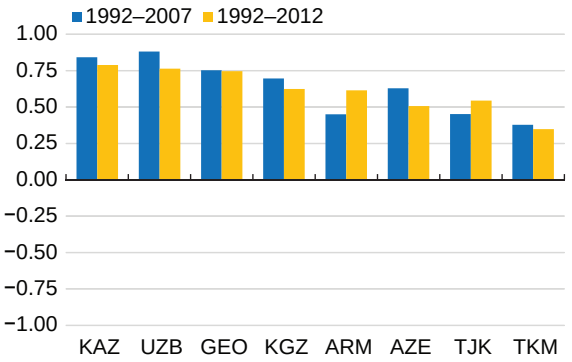
Sources: National authorities; and IMF staff estimates.

Figure 3.15

Correlation Coefficients Between Real GDP Growth of CCA Countries and Advanced Europe[1]



Correlation Coefficients Between Real GDP Growth of CCA Countries and Russia



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

[1] Advanced Europe includes Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom.

to developments in Europe. The hydrocarbon exporters have benefited from persistently buoyant oil prices (Azerbaijan, Kazakhstan) and strong demand for natural gas from China (Turkmenistan). As for the oil importers, expansionary policy stances pursued by neighboring oil exporters, record low unemployment in Russia and consequently strong remittances, exceptional 2011 harvests, and the resilience of commodity prices, have supported growth. A potential reversal of these factors constitutes a key downside risk for the region. The intensification of sovereign and banking system stresses in Europe has had limited impact on the CCA to date. Although direct linkages of the region's economies to weak financial systems in peripheral euro area countries are limited, distress in core euro area banking systems would have major consequences, including severe deterioration in asset quality and a generalized credit crunch (Box 3.2).

Interconnectedness of the CCA with Russia through Nontrade Links

The economic cycles of CCA countries have been intertwined with the Russian economy and among themselves as a result of supply chains, free trade agreements with Russia, and affinity of business practices (Figure 3.15). More recently, remittances from expatriates working in Russia have become a significant driver of economic activity in Armenia, the Kyrgyz Republic, and Tajikistan (IMF, 2011d). To a large extent, the synchronicity of economic cycles reflects hydrocarbon revenues as a common factor driving these economies; as such, it includes inward investments and remittances that fluctuate with Russia's own hydrocarbon revenues. Synchronicity between the economies of Armenia and Russia, on the one hand, appears to have strengthened somewhat since the global financial crisis, possibly on account of greater remittance linkages (Box 3.3). On the other hand, the synchronicity of CCA economies with advanced Europe is not significant, with correlation coefficients quite unstable, particularly before 2008.

The region's interconnectedness with Russia appears to rest increasingly on nontrade linkages, as the 2000s saw a strengthening of exports from the CCA to Europe at the expense of Russia (Figure 3.16). This trend reflects mainly a redirection of primary commodity exports, including hydrocarbons and metals, to Europe. Meanwhile, Russia remains the main destination for Armenian spirits, Kazakh machinery, Kyrgyz garments, and Uzbek cars (from a U.S. joint venture). With regard to foreign direct investment

Box 3.2

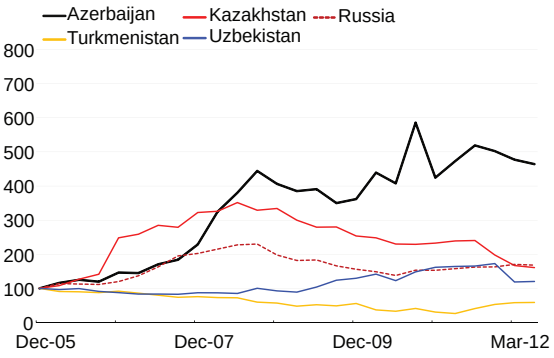
Euro Area Financial Spillovers to CCA Banking Sectors

Most CCA countries saw significant declines in cross-border lending in the immediate wake of the 2008–09 crisis, thus reducing the potential for further deleveraging (Figures 1 and 2). Deleveraging has been most pronounced in Kazakhstan, the Kyrgyz Republic, Tajikistan, and Turkmenistan, where public-sector deposits have replaced foreign wholesale funding of Kazakh banks. By contrast, global banks have increased their exposure to Azerbaijan (hydrocarbon projects) and also to Armenian banks (long-term lines from parent banks and international financial institutions). The intensification of the crisis in Europe during the second half of 2011 has had a limited impact so far, with only Kazakhstan standing out.

Figure 1

Lending by Global Banks to CCA Oil and Gas Exporters

(Index, 2005=100)



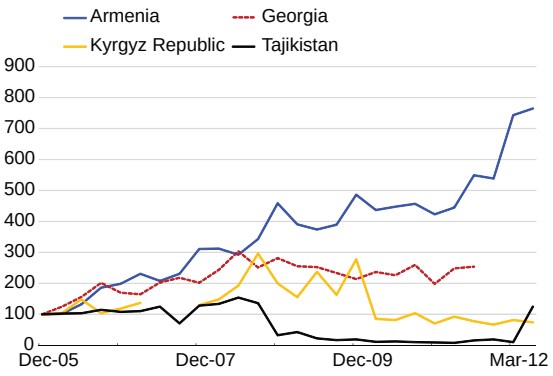
Source: Bank for International Settlements.

Lending by banks in Greece, Ireland, Italy, Portugal, and Spain (GIIPS) to CCA banks has become negligible—less than 1 percent of total assets. If a GIIPS crisis affects core Europe, potential deleveraging effects would also remain muted. The highest liabilities to European banks amount to 8–13 percent of assets in Georgia and 3–5 percent of assets in Armenia, Azerbaijan, and the Kyrgyz Republic (Figure 3). The limited data available suggest that liabilities to Russian banks are of the same order of magnitude. Cross-border lending to CCA nonbanks would double the above magnitudes.

Figure 2

Lending by Global Banks to CCA Oil and Gas Importers

(Index, 2005=100)

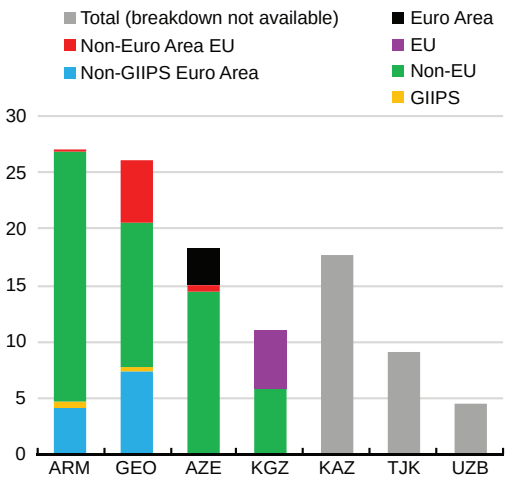


Source: Bank for International Settlements.

Figure 3

Foreign Liabilities of CCA Banking Sectors

(Percent of total assets, end-2011)



Sources: National authorities; and IMF staff estimates.

In contrast to Georgian banks, those in Armenia and Azerbaijan mostly held their foreign assets outside the European Union. Armenian and Georgian banks also held some claims on Russian banks (0.5 percent of assets), whereas Azerbaijan had greater exposure to Russia (about 7 percent of total assets).

A crisis in Europe would have more severe effects on the CCA than suggested by direct linkages: nonperforming loans would increase if growth, exports, and foreign financing are lower, and exchange regimes could come under pressure, given the high dollarization of CCA economies.

Prepared by Mariana Colacelli and Gabriel Srour with support from Kamal Krishna.

Box 3.3

Remittances and External Spillovers to MENA and CCA Countries

Until recently, the analysis of international spillovers focused on two primary channels of transmission: those operating through trade and through financial linkages with the rest of the world. In particular, studies have shown that the more open a country (where openness is measured as the ratio of either flows of total trade or foreign direct investment to GDP) the more its business cycle tends to resemble that of the rest of the world.

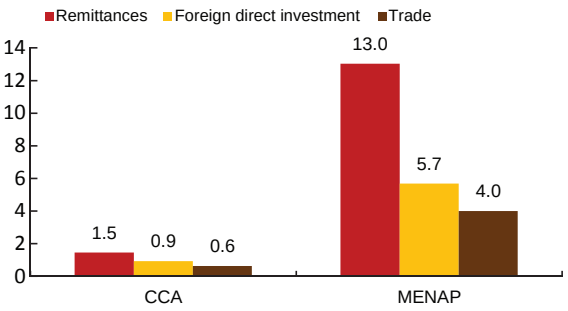
This characterization does not adequately capture the entire picture for those countries that are large recipients of remittances from abroad. Remittances worldwide have been on an upward trend for the past four decades, increasing from about US$2 billion in 1970 to just under US$440 billion in 2010. For many developing countries, the size of these inflows rivals that of export receipts, and dwarfs that of such flows as official transfers and private capital. To the extent that remittances respond to economic conditions in host countries—where these flows originate—and affect the level of activity in the home country once they are received and absorbed into the domestic economy, an additional channel of transmission of external shocks is in play.

Many MENAP and CCA countries receive a particularly large share of global remittances. Together, the main recipients among MENAP and CCA countries[1] accounted for 14½ percent of all remittances sent to developing countries during 2005–10, compared with a share of only 4½ percent in trade and 6½ percent in foreign direct investment flows (Figure 1). Trade is still overwhelmingly the largest source of international flows for Middle Eastern and Central Asian countries; over the same period, it was six times as large as remittances in the CCA and 11 times as large in MENAP countries.

Figure 1

External Flows

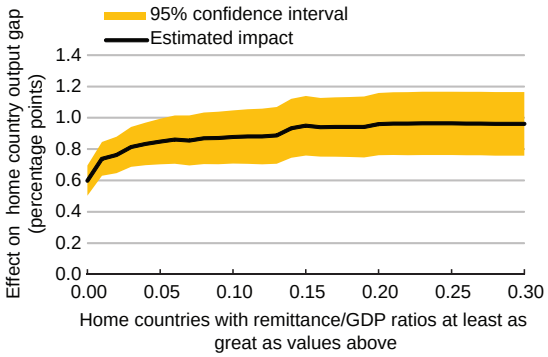
(Share of flows received by each region as a ratio to total flows to developing countries, 2005–10)



Source: Global Development Finance, The World Bank Group.

Figure 2

Remittances Amplify Cross-Country Spillovers



Note: These estimates have been produced using sequential estimates of the impact of business cycles in host countries on business cycles of home economies (see Barajas and others, 2012).

Remittances as Spillover Channel

Recent analytical work has identified a significant and quantitatively important remittance channel, whereby shocks in the host country are transmitted to economic activity in the home country (Barajas and others, 2012). Key findings are:

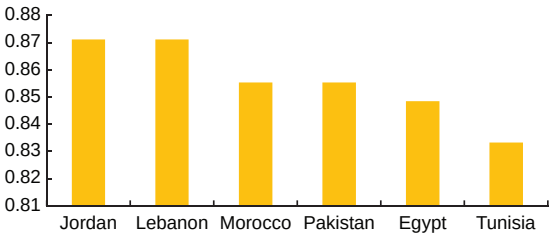
Prepared by Adolfo Barajas, Ralph Chami, Christian Ebeke, and Sampawende J.A. Tapsoba.

[1] Only countries that are net recipients of remittances are included. The MENAP countries included are Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, Syria, Tunisia, and Yemen; the CCA countries included are Armenia, Georgia, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Box 3.3 (*concluded*)

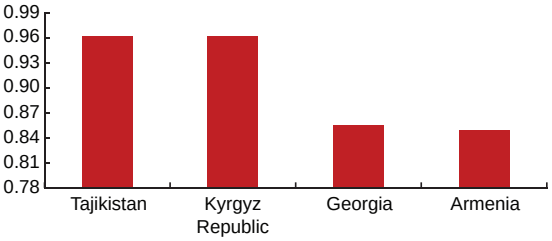
- Critically for short-term policy design in the home country, business cycle synchronization is asymmetric; the remittances-based transmission of negative shocks in the host country tends to be stronger than that of positive shocks.
- Overall, it is estimated that more than 50 percent of an output shortfall—defined as a negative output gap (that is, output below trend)—in average host country activity is transmitted to the home country. This is an effect quite similar in size to that operating through trade or financial linkages.
- Business cycle synchronization between host and home countries is stronger the larger the remittance flows between the countries.[2] For example, if a home country receives remittances of at least 10 percent of GDP per year, a 1 percentage-point increase in the host country's output gap will tend to increase the home country's output gap by more than ⅞ of 1 percentage point and, beyond remittances of 12 percent of GDP, the transmission approaches a full percentage point (Figure 2). These large estimated effects may include transmission through the financial channel to the extent that some home countries are also linked financially with the home country.

Figure 3
Effects on MENAP Activity (Output Gap) of Change in Average Migrant Host Countries' Activity
(Percentage points)



Source: IMF staff estimates based on Barajas and others (2012).
Note: Effects of one percentage-point change in migrant host countries' output gap on selected MENAP countries.

Figure 4
Effects on CCA Activity (Output Gap) of Change in Average Migrant Host Countries' Activity
(Percentage points)



Source: IMF staff estimates based on Barajas and others (2012).
Note: Effects of one percentage-point change in migrant host countries' output gap on selected CCA countries.

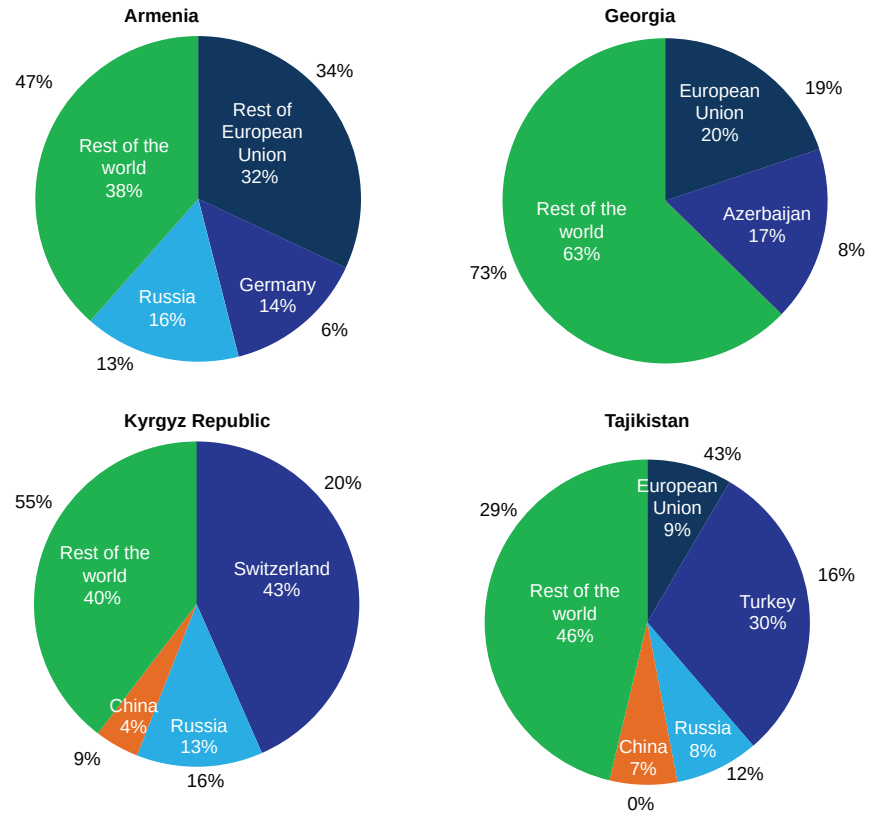
Turning to MENAP and CCA countries in particular, given their reliance on remittance inflows, the corresponding estimated impacts of host country business cycles are substantial: transmission levels range from 83 percent in Armenia, Georgia, and Tunisia to 86 percent in Morocco and Pakistan, and 96 percent in the Kyrgyz Republic and Tajikistan (Figures 3 and 4).

MENAP and CCA Countries Are More Open than Previously Thought

This analysis suggests that Middle East and Central Asian countries are indeed more open internationally, and are therefore more vulnerable to external spillovers, than traditional indicators of trade and financial connectedness would suggest (IMF (2011d), Box 3.2). Knowing this, policymakers should thus pay close attention to the business cycle behavior in the host countries of their outward migrants: the GCC countries (for the Mashreq region); European countries (for the Maghreb region); and Russia (for the CCA).

[2] Estimated over a sample of 98 developing countries for 1990–2010. For a given home country X, host country real GDP growth is calculated as the average across major destinations for outward migration from X, using migration shares as weights.

Figure 3.16
CCA Oil Importers: Geographical Destination of Exports, 2011[1]



Source: IMF, Direction of Trade Statistics.
[1]Numbers next to each slice represent 2002 export shares.

linkages, Russian-registered companies top the list of foreign investors only in the relatively small economies of Armenia, Tajikistan, and Uzbekistan, although the widespread use of offshore vehicles may conceal Russian investment in other economies, and, more generally, the nationalities of foreign direct investment investors (Figure 3.17).[1]

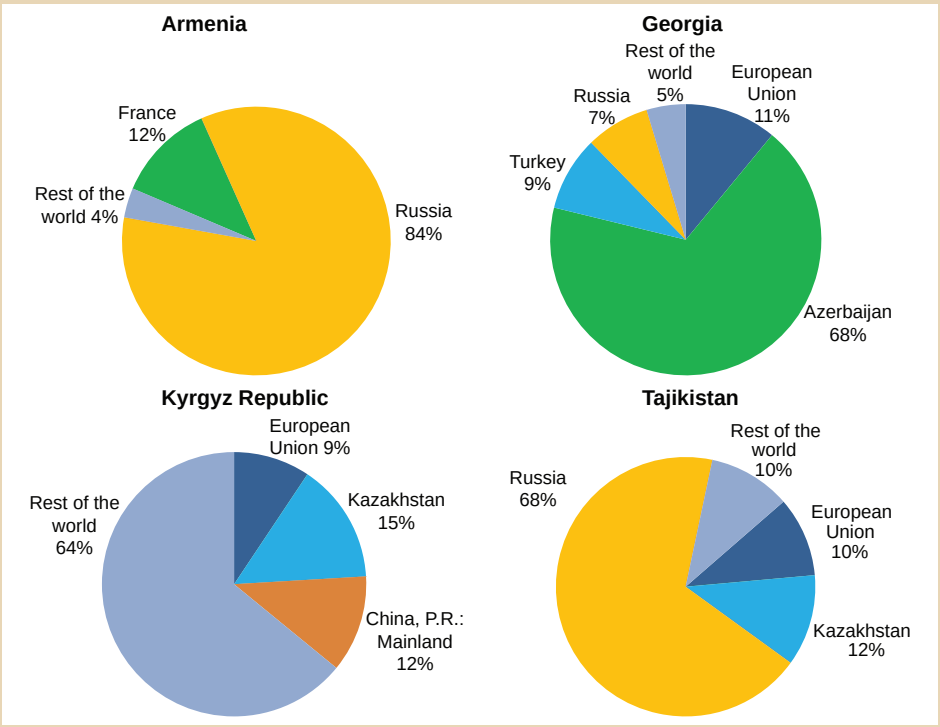
[1] The data source is the IMF Coordinated Direct Investment Survey (CDIS) at end-2010 (IMF, 2010a). Many CCA countries did not participate in the survey, so data are stocks reported by originating countries (where investors are nominally registered). Data reported by recipient CCA countries that did not participate in the 2010 survey may show important discrepancies.

Russia: A Conduit for Global Shocks to the CCA

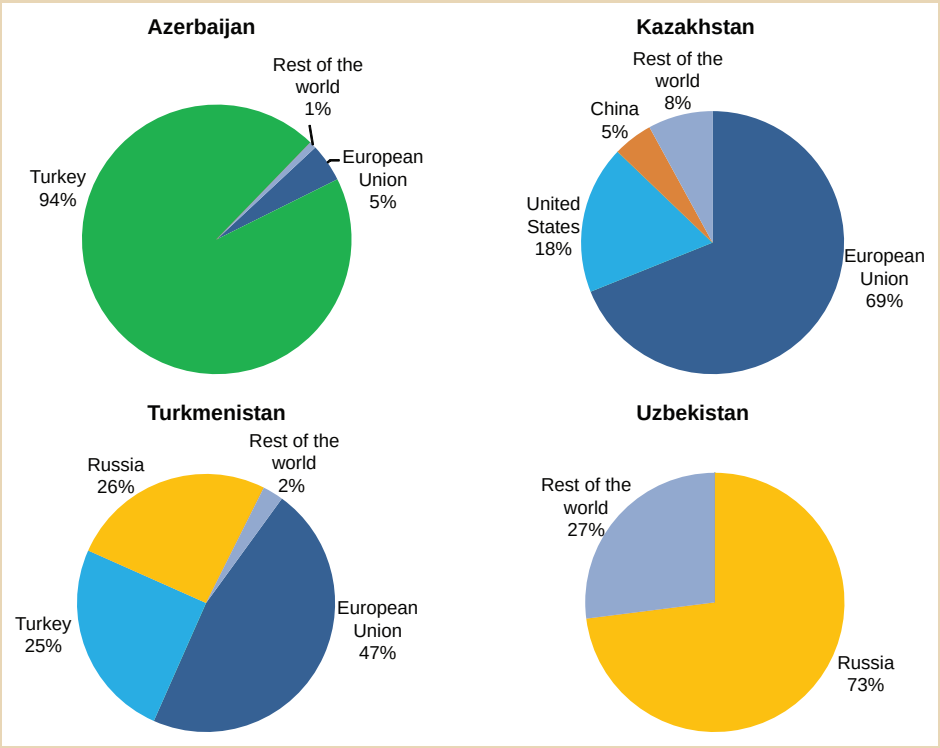
Despite its lower trade and investment linkages with the CCA, Russia retains a dominant influence on several of the region's economies, including as a conduit for spillovers from Europe. This reflects the concomitant collapse of European trade with the CCA and with Russia (and of CCA/Russia trade) in the period immediately following the collapse of Lehman Brothers in 2008, and the subsequent equally marked rebound (IMF, 2011d). Some countries, such as Armenia, Kazakhstan, and Russia, also experienced a concomitant bursting of real estate bubbles that amplified the synchronicity of business cycles. The extreme post-Lehman trade cycle extended far beyond Europe, however, and

Figure 3.17

CCA Oil Importers: Geographic Origin of Foreign Direct Investment, 2010



CCA Oil Exporters: Geographic Origin of Foreign Direct Investment, 2010



Source: IMF (2010a).

Note: Because many CCA countries did not participate in the survey, data are stocks reported by originating countries (where investors are nominally registered).

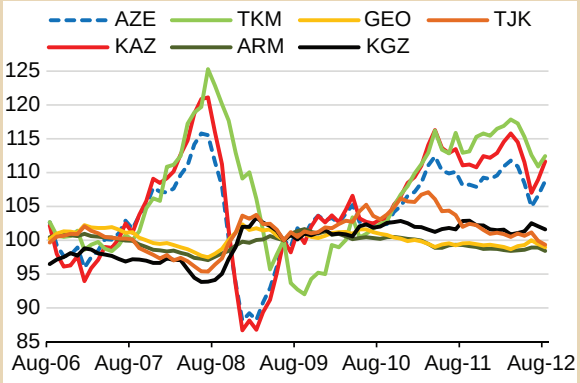
prominently included the primary commodities that dominate CCA exports.

Europe: Mainly an Intermediary in Global Commodity Marketing Chains

The composition of CCA exports, which is strongly tilted toward commodities, appears as important as the ultimate geographical destination of those exports in understanding likely future spillover risks from an intensification of the crisis in Europe. In many ways, Europe acts as an intermediary in global commodity marketing chains. The CCA's abundant raw materials, which used to be shipped to Russia for processing and marketing, are increasingly intermediated through Europe to final destinations worldwide. Examples include Armenian cut diamonds shipped primarily to Belgium, or iron ore to Germany and the Netherlands; Kyrgyz gold to Switzerland; and Tajik and Uzbek cotton to Turkey. As a result, spillovers from the intensification of the crisis in Europe via pure export channels are more muted than during 2008–09, as the region has continued to benefit from worldwide demand for its commodities and terms of trade have remained broadly supportive, particularly for oil importers (Figure 3.18).

Looking ahead, downside risks to economic activity and employment will be mainly related to developments in global commodity markets, including oil and natural gas. A scenario in which global commodity markets deflate as a result of tail risks materializing in China, Europe, or the United States, would have immediate and severe consequences for oil importers; oil exporters would have the fiscal buffers to act countercyclically for a while.

Figure 3.18
Commodity Terms of Trade
(Index, June 2009=100)



Sources: National authorities; and IMF staff estimates.

Strengthening Crisis Preparedness

The CCA economies should take advantage of the still-favorable outlook to continue with efforts to build policy buffers, while renewing their focus on crisis preparedness to manage shocks. For the oil importers, this implies steady, gradual fiscal consolidation, but also greater exchange rate flexibility to protect reserves. Oil exporters should improve the quality and efficiency of public spending (including spending by state enterprises), reduce the share of current spending, and develop a more diversified tax base to ensure the robustness of fiscal policy in the face of sustained low oil or mineral commodity prices. To make growth more inclusive, all countries need to develop budget-based automatic stabilizers through more responsive social safety nets and improved tax and transfers systems while investing in health, education, and infrastructure (including in electricity generation in the Kyrgyz Republic and Tajikistan). The design of social safety nets could consider active labor market policies that promote the hiring of younger workers, which, appropriately targeted, can be effective in boosting employment (IMF, 2012a). Improving the business environment and the governance of the public sector continue to be top priorities for job creation in the private sector (Box 2.7; and IMF, 2011d, Annex 2.2).

Developments in global food prices warrant close monitoring, given their potential spillovers into local inflation in light of the large weight of food in CCA consumption baskets (Annex 2.1). Should inflation remain moderate, several countries should proceed with subsidy reforms commensurate with improvements in their social safety nets. As many Asian countries did a decade ago, Armenia and Georgia should seize the opportunity afforded by low inflation to increase the shock-absorbing role of the exchange rate as an important tool for improving crisis preparedness and supporting growth. The degree of flexibility would depend on the importance of currency mismatches in the

economies' balance sheets, including in the public sector.

Weak financial sector governance, including forbearance, impedes the allocation of resources in many countries in the region. Repair of this sector is a particular priority in Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Tajikistan. However, forbearance should be the last resort in addressing banking problems, and only one element of a comprehensive restructuring program that includes strong conditions on shareholders and management. Forbearance should include a time-bound plan to restore soundness, be publicly announced, and be accompanied by intensified supervision and greater disclosure of supervisory assessments (Box 3.2).

Should severe shocks materialize, all countries appear to have the space for relaxing monetary policy by cutting policy rates. In addition, the oil exporters have the important option of drawing down financial assets or increasing borrowing to protect key government capital spending. The management of resource wealth and, more generally, spending on strategic projects or sectors, should be subject to greater accountability and transparency, so as to build the foundation for more inclusive growth in the medium term. Importantly, the various state-sponsored development banks and/or funds being set up across the region as vehicles for diversifying the economy should have well-publicized accountability frameworks (Box 3.4).

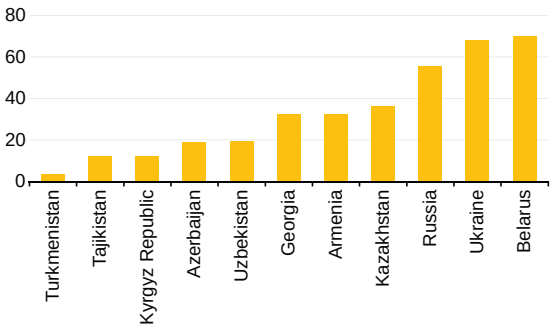
Box 3.4

Public Financial Institutions in the CCA: Promoting Financially Sustainable Economic Development

In recent years, CCA countries have shown a renewed interest in the role that public financial institutions (PFIs)[1] could play in stimulating investment and fostering economic development, including in targeted sectors. Although Azerbaijan's State Oil Fund and Uzbekistan's Fund for Reconstruction and Development already played such a role prior to the crisis, four other PFIs have recently been created in the region—the Samruk Kazyna Sovereign Wealth Fund in Kazakhstan (established in 2008); Pan-Armenian Development Bank in Armenia (2009); and Georgia's Partnership Fund and the State Development Bank of Turkmenistan (both created in 2011). The Kyrgyz Republic and Tajikistan are also considering the establishment of PFIs. Several CCA countries also operate net lending facilities, including to channel sizable crisis-related credit resources (Armenia, Azerbaijan, Kazakhstan) or to target particular sectors (Tajikistan, Turkmenistan). In 2011, assets in PFIs plus lending operations ranged from 2 percent of GDP to 50 percent of GDP (if assets of oil funds, which have domestic investments, are included).

In addition to addressing market failures that hinder investment, PFIs can play a useful macrostabilizing role. PFIs aim primarily at tackling what authorities perceive as a structural lack of long-term project financing for key sectors, such as infrastructure, agriculture, and small and medium-sized enterprises (SMEs). With financial markets relatively underdeveloped in most CCA countries (Figure 1), PFIs have been providing such financing, through

Figure 1
Credit to the Private Sector
(Percent of GDP, 2011)



Sources: IMF (2012d); and IMF International Financial Statistics.

Prepared by Maria Albino-War, Edouard Martin, Asghar Shahmoradi, and Bahrom Shukurov.

[1] The institutions include development banks, public holding companies, sovereign wealth funds, and other public investment vehicles.

Box 3.4 (*concluded*)

instruments that include direct equity and debt participation, extension of guarantees, and cofinancing with the private sector. As recent experience in Latin America and Canada shows, PFI operations can be stepped up in response to a crisis to help governments implement countercyclical policies and alleviate the effects of lower private investment and foreign direct investment.

Figure 2
Public Financial Institutions: Inputs to Success

To play such a role, and avoid the pitfalls associated with previous PFIs, the CCA authorities should pursue the following good practices (Figure 2):

- *A clear and regularly reviewed mandate and financial sustainability requirements should ensure that PFIs do not undermine financial or macroeconomic stability.* Identifying a target sector helps focus PFIs' activities, reduce political interference, enhance accountability, and position PFIs relative to other financial institutions. Cross-country studies suggest that preferred targets for PFIs are SMEs or tradable sectors for their role in growth and employment. Periodic mandate reviews could help reassess the relevance of PFIs, as market failures are likely to dissipate over time. Common financial sustainability requirements include preservation of capital, limiting the leverage ratio, and ensuring minimum return of equity or cost-to-income ratios.

- *Market-oriented funding mechanisms should foster the financial sustainability of PFIs.* In addition to protecting PFIs from political interference, such mechanisms could encourage better planning and risk assessment of projects and higher accountability of PFIs. These mechanisms could include donor and multilateral financing or funds raised in foreign capital markets. Funding through private deposits should not be allowed, and adequate regulation and supervision of PFIs should be ensured.

- *Transparent relations with the government should allow for a reliable fiscal impact assessment.* Hard budget constraints in PFIs could protect governments against losses and foster efficiency. Apart from initial capitalization of PFIs, government support should be channeled through the budget, capped, and targeted to strategic projects with large positive externalities.

- *High corporate governance standards should help limit undue political pressures.* PFIs need to be organized and run as corporations and be clearly accountable to one government body. Their corporate structure should include shareholders, independent boards of directors, and competent managers, whose rights and responsibilities are clearly delineated to prevent government interference in operational decisions. Twinning arrangements with other highly rated PFIs or private-sector participation could help transfer technology and enhance governance and operating standards.

- *Accountability and transparency should ensure the success of PFIs.* Operating frameworks should entail international standards for accounting and reporting practices, internal control and risk management systems, and budgeting. PFIs should also follow publicly listed companies in terms of audit, transparency, and disclosure, including undertaking an annual external audit.

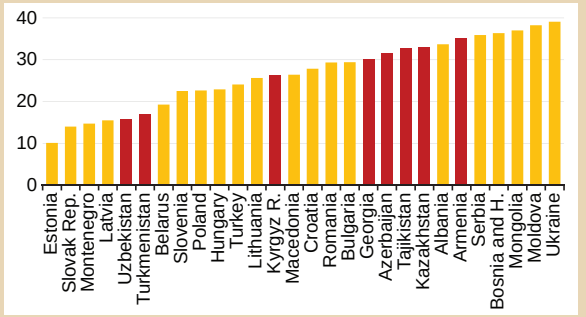
Annex 3.1. Measuring the Informal Economy in the Caucasus and Central Asia

The informal sectors of CCA economies are large, with adverse implications for workers who enjoy little or no social protection and poor career prospects, thereby undermining inclusiveness. To reduce informality and foster inclusive growth, policymakers need to improve the business environment, relax labor market rigidities, reduce the tax burden, provide informal workers with access to skill upgrading, and create an environment that fosters a level playing field for all workers and firms.

The Size of Informality

The measurement of the size of the informal economy has generated considerable interest in academic and policymaking circles. This sector, typically calculated as a share of officially measured GDP, is widespread across the CCA region, with heterogeneous sizes ranging from about 15 percent in Uzbekistan to more than 35 percent in Armenia (Figure 1).[1]

Figure 1
Size of the Informal Economy
(Percent of GDP, 2008)



Source: IMF staff estimates; see note 1 in the text for methodology.

Measuring informality is important given that workers in informal conditions have little or no social protection or employment benefits; and these conditions undermine inclusiveness in the labor market. According to the most recent World Bank World Development Indicators (World Bank, 2011), 65 percent of the labor force in Kazakhstan and 64 percent in Azerbaijan do not contribute to a retirement pension scheme.

In Armenia and the Kyrgyz Republic, more than 58 percent of the labor force lacks pension coverage. Most of the informal activity goes underground to avoid the burden of administrative regulation and taxation, thus harming public finances.

According to data from the *Global Competitiveness Report*, the most problematic factors for doing business in many CCA countries are corruption, restrictive tax and labor regulations, inefficient bureaucracy, and poor access to finance.[2] These factors, which reflect perceptions of the business environment, can increase the size of the informal economy.

Prepared by Yasser Abdih and Leandro Medina.

[1] The size of the informal economy is estimated using a Multiple Indicator-Multiple Cause (MIMIC) model, standard in the literature (see Schneider, Buehn, and Montenegro, 2010, and Vuletin, 2009). By looking at measurable indicators and drivers of the informal economy, the MIMIC model obtains an estimate of its size. Based on previous research in this area, measurable indicators of the informal economy include currency as a fraction of broad money (M0/M1), and self-employment as a fraction of total employment; measurable causes used are indices that capture the regulatory burden in product, labor, and financial markets, the tax burden, and institutional quality.

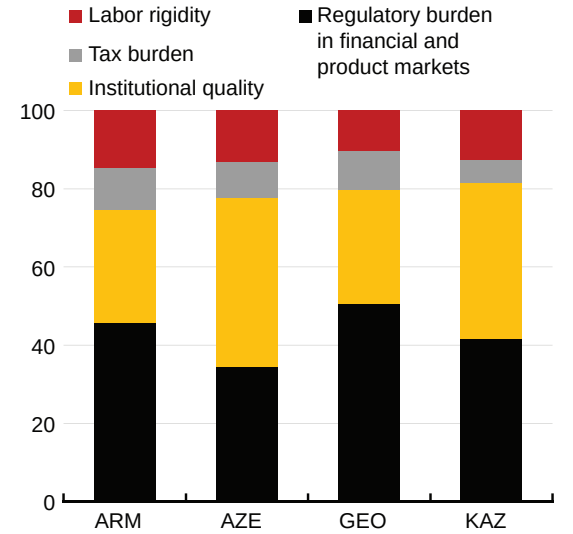
[2] See World Economic Forum (2010).

What Are the Causes and Indicators of Informality?

The size of the informal economy depends on a variety of factors. The specialized literature highlights the tax burden, labor market rigidities, lack of institutional quality, and product and financial market rigidities. These factors account for (in 2008) more than 75 percent of the size of the informal economy in the CCA:[3]

- *Tax burden*: The tax and social security burdens are among the main causes of the informal economy. The larger the difference between the total cost of labor in the official economy and after-tax earnings, the greater the incentive to avoid this difference by joining the informal economy.[4] The tax burden contribution is particularly important in Armenia and Georgia, explaining about 10 percent of the overall size of the informal economy (Figure 2).
- *Labor rigidity*: Intensity of labor market regulations is another important factor that reduces the freedom of choice for actors engaged in the official economy. Furthermore, tight labor regulations help increase unemployment.[5] These regulations, which decrease the freedom of both the employer and the employee, reduce the likelihood of formal economy employment, thus generating opportunities in the informal sector. Rigid labor markets are particularly predominant in Armenia and Azerbaijan, explaining almost 15 percent of the overall size of the informal economy.
- *Institutional quality*: Institutional quality has a strong bearing on competitiveness and growth.

Figure 2
Contribution of Determinants to the Size of the Informal Economy
(Percent)



Source: IMF staff estimates; see also notes 1 and 4 in the text.

A weak judiciary system, excessive bureaucracy, lack of transparency, and directed credit to connected borrowers and strategic enterprises exacerbate the incentives to informality. In Azerbaijan and Kazakhstan institutional quality explains about 50 percent of the size of the informal economy (Figure 2). This result is consistent with the Worldwide Governance Indicators, in which both countries score low in governance effectiveness, regulatory quality, and control of corruption indicators.[6]

- *Regulatory burden in financial and product markets*: Burdensome regulations in product markets, in the form of procedures for starting a business, registering property, and dealing with construction permits, as well as difficulties in the credit market (such as availability and affordability of financial services), on the one hand, increase the size of the informal

[3] To compute the contribution of each causal variable (driver) to the size of the informal economy, the estimated coefficient of the causal variable from the MIMIC model is multiplied by its value, and then divided by the estimated size of the informal economy. See also note 1.
[4] For more detail, see Schneider, Buehn, and Montenegro (2010).
[5] See Feldmann (2009).
[6] World Bank, Worldwide Governance Indicators.

economy. On the other hand, any legislation aimed at increasing local competition, and reducing monopolies and the extent of market dominance would contribute to reducing the size of the informal economy. The contributions of these drivers are particularly important in Armenia and Georgia, explaining about 40 percent and 50 percent of the size of the informal economy, respectively (Figure 2).

Policy Recommendations to Reduce Informal Economies

To reduce the barriers to business and labor formality, which are also barriers to more inclusive growth, policymakers should:

Improve the regulatory framework for business. Entry regulations should be simplified and compliance costs reduced, while at the same time creating an environment that fosters a fairer enforcement of regulation. This approach is conducive to investment and growth, and is inclusive as it allows all firms and workers to compete on a level playing field.

Reform labor market institutions. Overly restrictive labor market regulations in the CCA region can impede job creation in the formal sector, contribute to driving firms and workers into the informal economy, and reinforce segmentation in the labor market. As a result, workers in the formal sector enjoy protection while informal workers have little or no protection at all. Policy should aim to relax such rigid regulations to achieve more compliance and improved employment outcomes, while preserving the right to collective bargaining and developing effective social protection systems.

Reduce tax burden. Lowering corporate tax rates (where these are excessive) and simplifying tax regulations would increase formality, and could raise tax revenues, as evidence from Brazil and Egypt suggest (Gatti and others, 2011). Such reforms will provide incentives for existing informal firms to formalize and, hence, pay taxes; existing formal firms will have greater incentive to invest; and new firms will have greater incentive to operate in the formal economy.

Provide informal workers with access to skills upgrading. Existing training programs in the CCA region typically target the unemployed. However, many informal workers are also vulnerable, and therefore any inclusive growth agenda should provide all vulnerable groups in the society with access to skills upgrading (IMF, 2011d, Annex 2.1).

CCA: Selected Economic Indicators

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
Real GDP Growth	**10.0**	**12.3**	**6.8**	**3.7**	**6.7**	**6.7**	**5.7**	**5.5**
(Annual change; percent)								
Armenia	11.7	13.7	6.9	–14.1	2.1	4.6	3.9	4.0
Azerbaijan	14.6	25.0	10.8	9.3	5.0	0.1	3.9	2.7
Georgia	6.9	12.3	2.3	–3.8	6.3	7.0	6.5	5.5
Kazakhstan	10.3	8.9	3.2	1.2	7.3	7.5	5.5	5.7
Kyrgyz Republic	3.9	8.5	7.6	2.9	–0.5	5.7	1.0	8.5
Tajikistan	8.9	7.8	7.9	3.9	6.5	7.4	6.8	6.0
Turkmenistan	15.8	11.1	14.7	6.1	9.2	14.7	8.0	7.7
Uzbekistan	5.4	9.5	9.0	8.1	8.5	8.3	7.4	6.5
Consumer Price Inflation	**9.5**	**11.4**	**16.5**	**6.2**	**7.0**	**9.1**	**5.8**	**7.2**
(Year average; percent)								
Armenia	2.7	4.6	9.0	3.5	7.3	7.7	2.8	4.2
Azerbaijan	4.7	16.6	20.8	1.6	5.7	7.9	3.0	6.0
Georgia	6.0	9.2	10.0	1.7	7.1	8.5	0.2	5.5
Kazakhstan	8.1	10.8	17.1	7.3	7.1	8.3	5.0	6.6
Kyrgyz Republic	6.4	10.2	24.5	6.8	7.8	16.6	2.9	9.4
Tajikistan	17.8	13.2	20.4	6.5	6.5	12.4	6.0	8.1
Turkmenistan	8.4	6.3	14.5	–2.7	4.4	5.3	4.3	6.0
Uzbekistan	17.4	12.3	12.7	14.1	9.4	12.8	12.9	10.7
General Gov. Overall Fiscal Balance	**1.1**	**3.1**	**6.1**	**0.8**	**3.7**	**6.3**	**3.5**	**2.9**
(Percent of GDP)								
Armenia[1]	–2.5	–2.3	–1.8	–7.7	–4.9	–2.8	–3.1	–2.6
Azerbaijan[1]	0.2	2.6	20.3	7.0	14.6	13.3	8.2	6.1
Georgia	–1.4	–4.7	–6.3	–9.2	–6.6	–3.6	–3.6	–3.0
Kazakhstan	3.1	4.7	1.1	–1.4	1.4	5.8	3.5	3.6
Kyrgyz Republic	–5.1	–0.3	0.0	–3.5	–6.3	–4.8	–6.2	–5.6
Tajikistan	–2.4	–5.5	–5.1	–5.2	–3.0	–2.1	–2.9	–1.9
Turkmenistan[2]	1.6	3.9	10.0	7.0	2.0	3.6	6.8	4.7
Uzbekistan	0.2	5.2	10.2	2.8	4.9	9.0	3.0	2.0
Current Account Balance	**–0.9**	**1.5**	**8.8**	**0.4**	**5.0**	**8.7**	**6.3**	**4.6**
(Percent of GDP)								
Armenia	–5.8	–6.4	–11.8	–15.8	–14.7	–10.9	–9.8	–9.3
Azerbaijan	–7.9	27.3	35.5	23.0	28.4	26.5	20.4	16.1
Georgia	–9.1	–19.7	–21.9	–10.6	–10.3	–11.8	–12.6	–11.2
Kazakhstan	–1.6	–8.1	4.7	–3.6	1.6	7.6	6.2	4.5
Kyrgyz Republic	–0.5	–6.2	–15.5	–2.5	–6.4	–6.3	–12.8	–6.2
Tajikistan	–2.8	–8.6	–7.6	–5.9	–0.3	0.6	–0.4	–1.5
Turkmenistan	5.8	15.5	16.5	–14.7	–10.6	2.0	–1.5	–1.6
Uzbekistan	4.5	7.3	8.7	2.2	6.2	5.8	4.7	3.3

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

[1]Central government.

[2]State 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 for Syria are excluded for 2011 onward due to the uncertain political situation.

2011 data for Sudan excludes South Sudan; data for 2012 onward pertain to the current Sudan.

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 Tables 7 and 8 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.

Tables 1, 7, 11, 20, and 21 include data for West Bank and Gaza.

In Tables 3, 6, 13, and 14, "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:

- Composites for data relating to the domestic economy (Tables 1, 3, and 7–17), whether growth rates or ratios, are weighted by GDP valued at purchasing power parities (PPPs) as a share of total MCD or group GDP. Country group composites for the growth rates of broad money (Table 9) 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 relating to the external economy (Tables 18–20 and 22) 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.
- Composites in Tables 2, 4, and 5 are sums of the individual country data.

Table 1. Real GDP Growth

(Annual change; percent)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**5.4**	**5.8**	**4.4**	**2.6**	**4.8**	**3.3**	**5.1**	**3.6**
Oil exporters	**5.8**	**5.3**	**4.0**	**1.7**	**5.3**	**3.9**	**6.6**	**3.8**
Algeria	4.1	3.0	2.4	2.4	3.3	2.4	2.6	3.4
Bahrain	6.1	8.4	6.3	3.2	4.7	2.1	2.0	2.8
Iran, I.R. of	6.0	6.4	0.6	3.9	5.9	2.0	–0.9	0.8
Iraq	...	1.5	9.5	2.9	3.0	8.9	10.2	14.7
Kuwait	7.7	6.5	4.2	–7.8	2.5	8.2	6.3	1.9
Libya	5.3	6.4	2.4	–1.4	3.7	–59.7	121.9	16.7
Oman	3.7	6.7	13.1	3.9	5.0	5.4	5.0	3.9
Qatar	11.2	18.0	17.7	12.0	16.7	14.1	6.3	4.9
Saudi Arabia	3.9	2.0	4.2	0.1	5.1	7.1	6.0	4.2
United Arab Emirates	8.2	6.5	5.3	–4.8	1.3	5.2	4.0	2.6
Yemen	4.3	3.3	3.6	3.9	7.7	–10.5	–1.9	4.1
Oil importers	**4.9**	**6.8**	**5.3**	**4.2**	**4.0**	**2.0**	**2.1**	**3.3**
Afghanistan, Rep. of	...	13.7	3.6	21.0	8.4	5.8	5.2	6.5
Djibouti	2.8	5.1	5.8	5.0	3.5	4.5	4.8	5.0
Egypt	4.4	7.1	7.2	4.7	5.1	1.8	2.0	3.0
Jordan	6.3	8.2	7.2	5.5	2.3	2.6	3.0	3.5
Lebanon	3.0	7.5	9.3	8.5	7.0	1.5	2.0	2.5
Mauritania	4.8	1.0	3.5	–1.2	5.1	4.0	5.3	6.9
Morocco	4.9	2.7	5.6	4.9	3.7	4.9	2.9	5.5
Pakistan	5.1	6.8	3.7	1.7	3.1	3.0	3.7	3.3
Sudan	8.2	12.2	2.3	4.6	2.2	–4.5	–11.2	–0.0
Syrian Arab Republic	4.0	5.7	4.5	5.9	3.4	...	...	...
Tunisia	4.6	6.3	4.5	3.1	3.1	–1.8	2.7	3.3
CCA	**10.0**	**12.3**	**6.8**	**3.7**	**6.7**	**6.7**	**5.7**	**5.5**
Oil and gas exporters	**10.4**	**12.6**	**7.0**	**4.9**	**7.2**	**6.8**	**5.8**	**5.5**
Azerbaijan	14.6	25.0	10.8	9.3	5.0	0.1	3.9	2.7
Kazakhstan	10.3	8.9	3.2	1.2	7.3	7.5	5.5	5.7
Turkmenistan	15.8	11.1	14.7	6.1	9.2	14.7	8.0	7.7
Uzbekistan	5.4	9.5	9.0	8.1	8.5	8.3	7.4	6.5
Oil and gas importers	**7.9**	**11.2**	**5.7**	**–3.5**	**4.0**	**6.2**	**5.0**	**5.8**
Armenia	11.7	13.7	6.9	–14.1	2.1	4.6	3.9	4.0
Georgia	6.9	12.3	2.3	–3.8	6.3	7.0	6.5	5.5
Kyrgyz Republic	3.9	8.5	7.6	2.9	–0.5	5.7	1.0	8.5
Tajikistan	8.9	7.8	7.9	3.9	6.5	7.4	6.8	6.0
Memorandum								
MENA	**5.5**	**5.7**	**4.5**	**2.6**	**5.0**	**3.3**	**5.3**	**3.6**
MENA oil importers	**4.7**	**6.7**	**6.1**	**4.9**	**4.3**	**1.4**	**1.2**	**3.3**
Arab countries in transition (excl. Libya)	**4.6**	**6.0**	**6.3**	**4.5**	**4.7**	**1.2**	**2.0**	**3.6**
GCC	**5.7**	**5.3**	**6.3**	**–0.2**	**5.5**	**7.5**	**5.5**	**3.7**
Non-GCC oil exporters	**5.8**	**5.3**	**1.9**	**3.3**	**5.1**	**0.6**	**7.6**	**3.9**
West Bank and Gaza[1]	–0.1	5.4	7.1	7.4	9.8	9.9	6.2	5.6

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

[1]West Bank and Gaza is not a member of the IMF.

Table 2. Nominal GDP

(Billions of U.S. dollars)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**1,144.9**	**2,017.2**	**2,496.4**	**2,230.8**	**2,576.8**	**2,982.9**	**3,204.4**	**3,371.5**
Oil exporters	**803.5**	**1,488.6**	**1,862.7**	**1,564.1**	**1,837.6**	**2,236.1**	**2,427.0**	**2,556.7**
Algeria	77.1	134.3	171.7	138.0	162.0	197.9	206.5	214.4
Bahrain	10.7	18.5	22.1	19.3	21.5	25.9	26.5	27.7
Iran, I.R. of	154.1	307.4	350.6	360.6	419.1	482.4	483.8	514.8
Iraq	...	59.7	89.6	69.2	84.1	114.2	130.6	154.3
Kuwait	57.2	114.7	147.4	106.0	119.9	161.0	174.6	175.2
Libya	36.7	68.2	87.8	63.6	73.6	35.7	85.1	97.6
Oman	24.7	41.9	60.7	48.3	59.2	72.7	80.0	82.9
Qatar	30.8	79.5	115.0	97.6	127.3	173.5	184.6	190.9
Saudi Arabia	242.4	384.9	476.3	376.7	455.9	597.1	657.0	682.6
United Arab Emirates	141.7	257.9	314.5	259.7	283.9	342.0	361.9	374.9
Yemen	13.1	21.7	26.9	25.1	31.0	33.8	36.4	41.3
Oil importers	**341.3**	**528.6**	**633.8**	**666.7**	**739.2**	**746.9**	**777.4**	**814.7**
Afghanistan, Rep. of	...	8.7	10.5	12.5	15.9	18.3	19.8	22.0
Djibouti	0.6	0.8	1.0	1.0	1.1	1.2	1.4	1.5
Egypt	91.3	130.3	162.4	188.6	218.5	235.7	255.0	275.9
Jordan	10.9	17.1	22.0	23.8	26.4	28.9	31.4	33.8
Lebanon	20.0	25.1	30.1	34.7	37.1	39.0	41.8	44.4
Mauritania	1.5	2.8	3.5	3.0	3.7	4.2	4.1	4.4
Morocco	49.6	75.2	88.9	90.9	90.8	99.3	97.2	103.3
Pakistan	91.1	143.2	163.9	161.8	176.5	210.2	230.5	236.6
Sudan	20.2	45.9	54.1	52.8	64.8	64.0	51.6	47.3
Syrian Arab Republic	24.7	40.4	52.6	53.9	60.0	...	...	...
Tunisia	27.4	38.9	44.9	43.5	44.3	46.0	44.7	45.6
CCA	**85.8**	**211.4**	**266.5**	**242.3**	**293.5**	**361.5**	**396.6**	**439.3**
Oil and gas exporters	**74.0**	**184.5**	**231.7**	**213.3**	**262.1**	**324.4**	**356.8**	**396.2**
Azerbaijan	9.6	33.1	46.4	44.3	52.9	64.8	71.0	78.2
Kazakhstan	39.6	103.1	135.2	115.3	148.0	186.2	200.6	220.1
Turkmenistan	12.1	26.0	21.5	20.2	22.1	28.1	33.5	40.2
Uzbekistan	12.6	22.3	28.6	33.5	39.0	45.4	51.6	57.7
Oil and gas importers	**11.9**	**26.9**	**34.8**	**29.1**	**31.4**	**37.0**	**39.8**	**43.0**
Armenia	3.4	9.2	11.7	8.6	9.4	10.3	10.6	11.0
Georgia	4.7	10.2	12.9	10.8	11.6	14.3	15.8	17.3
Kyrgyz Republic	2.0	3.8	5.1	4.7	4.8	5.9	6.2	7.0
Tajikistan	1.7	3.7	5.1	5.0	5.6	6.5	7.3	7.8
Memorandum								
MENA	**1,049.8**	**1,865.2**	**2,322.1**	**2,056.5**	**2,384.4**	**2,754.4**	**2,954.0**	**3,112.8**
MENA oil importers	**246.3**	**376.7**	**459.4**	**492.4**	**546.7**	**518.3**	**527.0**	**556.1**
Arab countries in transition (excl. Libya)	**192.3**	**283.3**	**345.1**	**372.0**	**411.0**	**443.6**	**464.6**	**499.8**
GCC	**507.4**	**897.5**	**1,136.0**	**907.5**	**1,067.8**	**1,372.1**	**1,484.6**	**1,534.3**
Non-GCC oil exporters	**296.1**	**591.1**	**726.6**	**656.5**	**769.8**	**864.0**	**942.4**	**1,022.5**

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

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

(Annual change; percent)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
				Non-Oil GDP				
MENAP oil exporters	**6.4**	**7.9**	**4.7**	**4.2**	**5.5**	**3.9**	**4.8**	**4.7**
Algeria	4.9	6.3	5.9	9.3	5.9	5.3	5.0	4.8
Bahrain	7.9	9.6	7.2	3.8	5.2	1.9	1.9	1.9
Iran, I.R. of	6.4	6.8	0.9	4.7	6.3	2.4	1.1	1.3
Iraq	...	–2.0	5.4	4.0	4.5	5.0	5.5	5.5
Kuwait	10.2	14.7	3.4	–4.6	3.5	4.4	5.1	5.3
Libya	4.1	22.7	5.9	5.1	4.4	–63.1	30.0	25.0
Oman	6.8	13.2	16.0	1.2	4.7	6.3	5.9	5.5
Qatar	14.2	21.6	21.3	17.6	8.6	12.9	9.0	9.0
Saudi Arabia	4.1	4.6	4.3	3.5	6.2	7.9	6.5	5.6
United Arab Emirates	9.6	9.1	6.3	–2.9	1.4	3.0	3.3	3.5
Yemen	5.1	5.3	4.8	4.1	4.4	–10.0	–1.6	3.0
CCA oil and gas exporters	**10.7**	**9.9**	**8.3**	**2.8**	**7.5**	**9.2**	**6.6**	**6.6**
Azerbaijan	10.8	11.3	15.7	3.0	7.6	9.4	7.5	7.0
Kazakhstan	9.9	9.1	3.2	0.5	7.2	8.3	5.9	6.2
Turkmenistan	16.4	10.7	18.6	14.9	8.7	13.1	8.2	7.9
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**6.9**	**8.9**	**7.0**	**2.7**	**5.2**	**7.0**	**5.9**	**5.5**
Non-GCC oil exporters	**6.0**	**7.0**	**2.6**	**5.4**	**5.9**	**0.9**	**3.7**	**3.9**
				Oil GDP				
MENAP oil exporters	**3.9**	**–0.3**	**1.6**	**–4.5**	**4.2**	**2.6**	**1.3**	**–0.2**
Algeria	3.2	–0.9	–2.3	–6.0	–2.6	–3.2	–1.6	0.7
Bahrain	–1.0	1.1	0.4	–0.8	1.8	3.4	2.6	9.3
Iran, I.R. of	3.2	2.6	–2.2	–3.0	2.1	–1.3	–22.2	–6.5
Iraq	...	4.0	12.3	2.2	2.0	11.4	13.1	20.0
Kuwait	5.3	–4.7	5.4	–12.9	0.7	14.9	8.4	–3.4
Libya	6.5	–4.2	–0.5	–7.1	3.0	–56.2	200.4	13.6
Oman	0.1	–3.5	7.7	9.3	5.4	3.8	3.2	0.9
Qatar	8.6	13.8	13.2	4.5	28.8	15.7	2.9	–0.3
Saudi Arabia	3.6	–3.6	4.2	–7.8	2.4	4.6	4.5	0.0
United Arab Emirates	4.3	–2.7	1.6	–8.9	0.9	9.4	5.3	1.0
Yemen	–0.5	–13.1	–8.1	1.6	46.9	–14.5	–4.8	14.0
CCA oil and gas exporters	**16.7**	**15.4**	**3.6**	**4.6**	**7.3**	**1.4**	**1.7**	**0.9**
Azerbaijan	20.2	37.3	6.9	14.8	5.0	–9.8	–0.3	–2.6
Kazakhstan	15.3	6.9	2.8	7.1	7.3	1.0	1.6	1.3
Turkmenistan	16.1	12.6	–0.7	–35.5	12.9	27.3	5.9	6.2
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**3.9**	**–2.0**	**4.8**	**–6.0**	**5.2**	**7.9**	**4.8**	**0.0**
Non-GCC oil exporters	**3.9**	**1.0**	**–1.1**	**–3.1**	**3.2**	**–2.4**	**–2.1**	**–0.3**

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

Table 4. Crude Oil and Natural Gas Production

(Millions of barrels per day)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
				Crude Oil Production				
MENAP oil exporters	**22.51**	**25.45**	**26.02**	**24.11**	**24.21**	**24.86**	**26.23**	**26.82**
Algeria	1.32	1.56	1.50	1.39	1.34	1.29	1.27	1.28
Bahrain	0.22	0.18	0.18	0.18	0.18	0.19	0.19	0.21
Iran, I.R. of	3.75	4.09	3.94	3.73	3.69	3.62	2.81	2.63
Iraq	...	2.04	2.29	2.34	2.38	2.65	3.00	3.60
Kuwait	2.18	2.57	2.68	2.26	2.31	2.66	2.90	2.80
Libya	1.52	1.80	1.78	1.62	1.69	0.49	1.48	1.68
Oman	0.85	0.71	0.76	0.81	0.86	0.88	0.91	0.92
Qatar	0.73	0.84	0.84	0.79	0.79	0.76	0.74	0.71
Saudi Arabia[1]	8.42	8.82	9.20	8.40	8.40	9.56	10.05	10.05
United Arab Emirates	2.26	2.53	2.57	2.32	2.31	2.55	2.69	2.71
Yemen	0.41	0.31	0.29	0.27	0.26	0.20	0.18	0.23
CCA oil and gas exporters	**1.61**	**2.42**	**2.53**	**2.73**	**2.88**	**2.81**	**2.83**	**2.84**
Azerbaijan	0.38	0.84	0.86	0.98	1.02	0.91	0.90	0.88
Kazakhstan	1.05	1.38	1.45	1.56	1.67	1.69	1.71	1.73
Turkmenistan	0.18	0.20	0.21	0.20	0.20	0.22	0.23	0.24
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**14.66**	**15.66**	**16.23**	**14.77**	**14.86**	**16.60**	**17.48**	**17.40**
Non-GCC oil exporters	**7.85**	**9.80**	**9.80**	**9.34**	**9.36**	**8.26**	**8.74**	**9.42**
				Natural Gas Production				
MENAP oil exporters	**4.97**	**8.47**	**8.89**	**9.53**	**11.10**	**11.88**	**12.30**	**12.54**
Algeria	...	1.46	1.47	1.37	1.39	1.34	1.32	1.33
Bahrain	0.22	0.25	0.27	0.27	0.28	0.27	0.27	0.28
Iran, I.R. of[1]	...	2.13	2.30	2.71	3.03	3.14	3.14	3.20
Iraq	...	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kuwait	0.20	0.22	0.23	0.20	0.21	0.23	0.26	0.25
Libya	0.06	0.11	0.13	0.15	0.16	0.03	0.14	0.16
Oman	0.41	0.53	0.53	0.54	0.54	0.65	0.69	0.71
Qatar	0.66	1.23	1.39	1.59	2.53	3.12	3.25	3.27
Saudi Arabia	...	1.39	1.45	1.50	1.62	1.71	1.81	1.91
United Arab Emirates	1.07	1.14	1.14	1.18	1.18	1.21	1.24	1.26
Yemen	0.00	0.00	0.00	0.02	0.16	0.17	0.17	0.17
CCA oil and gas exporters	**1.15**	**2.00**	**2.07**	**1.59**	**1.79**	**2.06**	**2.23**	**2.33**
Azerbaijan	0.10	0.21	0.30	0.28	0.30	0.25	0.30	0.27
Kazakhstan	0.31	0.50	0.55	0.62	0.69	0.74	0.80	0.86
Turkmenistan	...	1.28	1.21	0.69	0.81	1.07	1.13	1.20
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**3.13**	**4.76**	**5.00**	**5.29**	**6.36**	**7.19**	**7.53**	**7.68**
Non-GCC oil exporters	**1.84**	**3.71**	**3.90**	**4.24**	**4.74**	**4.69**	**4.77**	**4.86**

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

[1]Including condensates.

Table 5. Crude Oil and Natural Gas Exports

(Millions of barrels per day)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
				Crude Oil Exports				
MENAP oil exporters	**16.40**	**19.09**	**19.58**	**17.51**	**17.96**	**18.17**	**19.15**	**19.39**
Algeria	0.71	0.93	0.84	0.75	0.71	0.70	0.68	0.68
Bahrain	0.17	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Iran, I.R. of	...	2.42	2.26	2.09	2.04	2.14	1.25	1.10
Iraq	...	1.59	1.82	1.87	1.85	2.04	2.30	2.80
Kuwait	1.38	1.62	1.77	1.41	1.45	1.82	2.01	1.86
Libya	1.18	1.47	1.44	1.31	1.35	0.26	1.20	1.30
Oman	0.78	0.61	0.59	0.67	0.74	0.74	0.75	0.76
Qatar	0.67	0.77	0.77	0.73	0.71	0.68	0.66	0.63
Saudi Arabia	6.45	6.96	7.32	6.27	6.64	7.22	7.60	7.53
United Arab Emirates	2.09	2.34	2.41	2.08	2.14	2.27	2.39	2.41
Yemen	0.33	0.23	0.21	0.20	0.19	0.15	0.15	0.16
CCA oil and gas exporters	**1.21**	**2.01**	**2.06**	**2.30**	**2.43**	**2.33**	**2.34**	**2.34**
Azerbaijan	0.28	0.74	0.77	0.87	0.91	0.80	0.78	0.75
Kazakhstan	0.89	1.24	1.25	1.37	1.48	1.49	1.52	1.54
Turkmenistan	0.04	0.03	0.05	0.06	0.04	0.04	0.04	0.05
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**11.54**	**12.45**	**13.01**	**11.30**	**11.84**	**12.88**	**13.56**	**13.35**
Non-GCC oil exporters	**4.86**	**6.64**	**6.57**	**6.21**	**6.13**	**5.29**	**5.58**	**6.04**
				Natural Gas Exports				
MENAP oil exporters	**2.73**	**3.41**	**3.61**	**3.78**	**4.56**	**5.29**	**5.29**	**5.10**
Algeria	1.39	1.34	1.34	1.18	1.12	1.04	1.01	1.01
Bahrain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Iran, I.R. of[1]	...	0.17	0.20	0.31	0.37	0.39	0.29	0.28
Iraq	...	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kuwait	0.10	0.10	0.11	0.10	0.13	0.13	0.13	0.13
Libya	0.06	0.11	0.13	0.15	0.16	0.03	0.14	0.16
Oman	0.16	0.22	0.21	0.21	0.22	0.21	0.21	0.21
Qatar	0.60	1.10	1.26	1.45	1.93	2.74	2.75	2.55
Saudi Arabia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Arab Emirates	0.41	0.37	0.35	0.37	0.47	0.58	0.59	0.61
Yemen	...	...	...	0.02	0.16	0.17	0.17	0.17
CCA oil and gas exporters	**0.72**	**0.93**	**0.96**	**0.41**	**0.51**	**0.76**	**0.81**	**0.86**
Azerbaijan	0.00	0.05	0.13	0.12	0.12	0.12	0.12	0.12
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Turkmenistan	0.72	0.87	0.82	0.29	0.39	0.64	0.69	0.74
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**1.26**	**1.79**	**1.94**	**2.12**	**2.75**	**3.66**	**3.68**	**3.49**
Non-GCC oil exporters	**...**	**1.62**	**1.67**	**1.66**	**1.81**	**1.62**	**1.61**	**1.61**

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

[1]Including condensates.

Table 6. Breakeven Oil Prices

(U.S. dollars per barrel)

	2007	2008	2009	2010	2011	Projections 2012	2013
Fiscal Breakeven Oil Prices[1]							
MENAP oil exporters							
Algeria	...	73.3	74.8	82.0	104.7	117.9	99.5
Bahrain	65.5	79.7	82.5	102.7	113.9	118.2	111.4
Iran, I.R. of	...	81.0	65.0	76.0	107.0	134.0	150.0
Iraq	...	111.4	72.3	90.0	95.0	112.0	94.1
Kuwait	...	33.0	28.0	45.9	44.4	49.0	56.4
Libya	...	46.6	68.2	57.7	183.5	88.5	98.8
Oman	42.1	61.7	61.1	66.6	77.9	81.3	83.3
Qatar	...	24.2	25.0	24.0	38.0	40.4	68.0
Saudi Arabia	...	37.6	73.6	67.5	77.0	74.4	85.2
United Arab Emirates	...	23.4	61.0	86.5	92.4	79.0	77.5
Yemen	...	...	138.0	130.0	195.0	237.0	...
CCA oil and gas exporters							
Azerbaijan	16.4	34.2	29.0	33.4	54.0	55.0	60.0
Kazakhstan	...	...	...	73.8	76.0	76.1	69.9
Turkmenistan	...	...	...	...	54.0	50.0	47.0
Uzbekistan	...	...	...	...	...	...	...
External Breakeven Oil Prices[2]							
MENAP oil exporters							
Algeria	...	49.2	55.6	58.9	68.1	74.4	71.6
Bahrain	29.2	63.8	54.2	66.2	61.9	70.4	66.0
Iran, I.R. of	...	56.0	58.0	71.0	58.0	80.0	92.0
Iraq	...	...	53.0	80.5	86.2	89.5	83.8
Kuwait	...	24.9	25.9	29.5	27.7	28.9	33.4
Libya	...	...	...	...	93.6	77.0	88.0
Oman	...	...	65.0	74.0	73.0	80.3	87.3
Qatar	...	...	35.0	44.0	50.0	54.1	58.0
Saudi Arabia	...	50.5	53.8	52.6	52.9	57.2	61.2
United Arab Emirates	...	...	75.0	68.5	67.4	72.4	67.3
Yemen	...	...	83.0	109.0	172.0	218.0	...
CCA oil and gas exporters							
Azerbaijan	26.4	43.2	30.7	31.4	47.0	49.0	53.0
Kazakhstan	...	82.9	71.5	73.9	77.4	83.2	83.7
Turkmenistan	...	...	...	...	56.0	52.0	48.0
Uzbekistan	...	...	...	...	...	...	...

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

[1] The oil price at which the fiscal balance is zero.

[2] The oil price at which the current account balance is zero.

Table 7. Consumer Price Inflation

(Year average; percent)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**5.9**	**9.9**	**14.3**	**7.3**	**7.3**	**10.3**	**10.9**	**9.5**
MENAP oil exporters	**6.7**	**11.5**	**15.0**	**5.7**	**6.6**	**10.4**	**11.5**	**9.7**
Algeria	2.3	3.6	4.9	5.7	3.9	4.5	8.4	5.0
Bahrain	0.9	3.3	3.5	2.8	2.0	–0.4	0.6	2.0
Iran, I.R. of	13.3	18.4	25.4	10.8	12.4	21.5	25.2	21.8
Iraq	...	30.8	2.7	–2.2	2.4	5.6	6.0	5.5
Kuwait	1.9	5.5	10.6	4.0	4.0	4.7	4.3	4.1
Libya	...	6.2	10.4	2.4	2.5	15.9	10.0	0.9
Oman	0.5	5.9	12.6	3.5	3.3	4.0	3.2	3.0
Qatar	4.7	13.8	15.0	–4.9	–2.4	1.9	2.0	3.0
Saudi Arabia	0.3	4.1	9.9	5.1	5.4	5.0	4.9	4.6
United Arab Emirates	4.4	11.1	12.3	1.6	0.9	0.9	0.7	1.6
Yemen	11.5	7.9	19.0	3.7	11.2	19.5	15.0	12.7
MENAP oil importers	**4.5**	**7.1**	**13.0**	**10.2**	**8.5**	**9.9**	**9.7**	**9.2**
Afghanistan, Rep. of	...	8.6	30.5	–8.3	0.9	13.8	9.1	5.0
Djibouti	2.3	5.0	12.0	1.7	4.0	5.1	4.7	2.4
Egypt	5.1	9.5	18.3	11.7	11.4	9.9	9.7	11.4
Jordan	2.7	4.7	13.9	–0.7	5.0	4.4	4.5	3.9
Lebanon	1.3	4.1	10.8	1.2	4.5	5.0	6.5	5.7
Mauritania	6.5	7.3	7.5	2.1	6.3	5.7	5.9	6.1
Morocco	1.7	2.0	3.9	1.0	1.0	0.9	2.2	2.5
Pakistan	5.0	7.8	10.8	17.6	10.1	13.7	11.0	10.4
Sudan	7.6	8.0	14.3	11.3	13.0	18.3	28.6	17.0
Syrian Arab Republic	3.8	4.7	15.2	2.8	4.4	...	...	...
Tunisia	2.9	3.4	4.9	3.5	4.4	3.5	5.0	4.0
CCA	**9.5**	**11.4**	**16.5**	**6.2**	**7.0**	**9.1**	**5.8**	**7.2**
Oil and gas exporters	**9.9**	**11.9**	**16.8**	**6.5**	**7.0**	**8.9**	**6.3**	**7.3**
Azerbaijan	4.7	16.6	20.8	1.6	5.7	7.9	3.0	6.0
Kazakhstan	8.1	10.8	17.1	7.3	7.1	8.3	5.0	6.6
Turkmenistan	8.4	6.3	14.5	–2.7	4.4	5.3	4.3	6.0
Uzbekistan	17.4	12.3	12.7	14.1	9.4	12.8	12.9	10.7
Oil and gas importers	**7.7**	**8.8**	**14.4**	**4.2**	**7.1**	**10.7**	**2.6**	**6.5**
Armenia	2.7	4.6	9.0	3.5	7.3	7.7	2.8	4.2
Georgia	6.0	9.2	10.0	1.7	7.1	8.5	0.2	5.5
Kyrgyz Republic	6.4	10.2	24.5	6.8	7.8	16.6	2.9	9.4
Tajikistan	17.8	13.2	20.4	6.5	6.5	12.4	6.0	8.1
Memorandum								
MENA	**5.9**	**10.2**	**14.6**	**6.2**	**7.0**	**9.8**	**10.9**	**9.5**
MENA oil importers	**4.2**	**6.7**	**13.6**	**7.3**	**8.0**	**7.9**	**9.0**	**8.8**
Arab countries in transition (excl. Libya)	**4.7**	**7.1**	**14.0**	**7.7**	**8.4**	**7.9**	**7.8**	**8.6**
GCC	**1.6**	**6.6**	**11.0**	**3.0**	**3.2**	**3.6**	**3.5**	**3.6**
Non-GCC oil exporters	**11.4**	**15.6**	**18.6**	**8.0**	**9.4**	**16.8**	**19.1**	**15.4**
West Bank and Gaza[1]	3.5	2.7	9.9	2.8	3.7	2.9	3.0	2.9

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

[1]West Bank and Gaza is not a member of the IMF.

Table 8. Core Consumer Price Inflation[1]

(Year average; percent)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**...**	**7.5**	**13.0**	**6.0**	**5.9**	**9.4**	**...**	**...**
Oil exporters	**...**	**7.9**	**14.3**	**6.2**	**5.7**	**10.2**	**...**	**...**
Algeria	...	...	...	...	...	...	...	...
Bahrain	...	...	...	...	2.4	...	...	...
Iran, I.R. of	14.3	12.6	23.5	11.3	10.4	16.9	...	...
Iraq	...	19.3	13.0	5.1	2.9	6.5	7.0	6.5
Kuwait	...	4.8	9.1	3.7	2.2	...	...	...
Libya	...	1.1	4.3	2.0	2.2	...	...	...
Oman	...	2.3	5.9	3.4	4.0	4.3	3.3	3.0
Qatar	...	7.5	11.3	–1.9	2.2	4.5	...	...
Saudi Arabia	...	1.3	5.0	3.4	3.1	3.6	4.4	3.5
United Arab Emirates	...	...	...	2.9	0.8	...	...	...
Yemen	9.2	9.2	20.3	3.8	10.6	...	...	...
Oil importers	**1.8**	**6.7**	**11.0**	**5.7**	**6.3**	**8.2**	**...**	**...**
Afghanistan, Rep. of	...	4.5	9.5	4.8	5.9	13.8	10.0	5.0
Djibouti	2.4	2.3	4.2	–1.4	4.1	...	...	...
Egypt	...	7.9	18.9	8.5	6.9	8.0	...	...
Jordan	0.9	2.5	4.5	3.2	3.6	3.7	3.8	3.9
Lebanon	...	...	...	0.4	3.7	4.7	...	...
Mauritania	...	3.8	4.0	1.3	4.1	4.4	...	...
Morocco	1.8	1.1	1.5	1.0	0.8	1.3	1.1	1.0
Pakistan	0.5	8.3	9.6	6.2	8.6	10.7	...	...
Sudan	7.6	13.7	8.0	10.2	9.9	16.0	...	...
Syrian Arab Republic	...	1.0	6.4	0.6	3.5	...	...	...
Tunisia	2.5	3.7	4.3	3.1	3.3	3.6	5.0	4.0
CCA	**...**	**7.2**	**12.2**	**6.0**	**6.6**	**5.2**	**4.6**	**6.9**
Oil and gas exporters	**...**	**7.5**	**12.7**	**5.9**	**6.8**	**5.1**	**4.2**	**6.9**
Azerbaijan	...	6.3	22.1	1.6	3.5	5.4	2.7	4.9
Kazakhstan	...	8.9	10.7	9.4	7.9	5.4	4.8	7.0
Turkmenistan	...	4.7	14.4	4.5	6.6	1.7	4.0	10.4
Uzbekistan	...	6.2	7.0	3.2	7.6	5.7	...	...
Oil and gas importers	**...**	**5.7**	**9.1**	**6.5**	**5.9**	**5.6**	**7.5**	**6.7**
Armenia	...	2.3	7.0	8.2	6.9	3.5	3.9	4.6
Georgia	...	6.5	8.2	2.0	3.9	3.3	...	...
Kyrgyz Republic	...	7.4	14.5	12.6	8.3	12.4	10.3	8.2
Tajikistan	...	7.5	8.7	5.8	5.9	6.0	9.3	7.7
Memorandum								
MENA	**...**	**7.4**	**13.5**	**6.0**	**5.6**	**9.1**	**...**	**...**
MENA oil importers	**...**	**6.0**	**11.7**	**5.5**	**5.3**	**6.8**	**...**	**...**
Arab countries in transition (excl. Libya)	**...**	**6.0**	**13.5**	**5.9**	**5.5**	**5.9**	**...**	**...**
GCC	**...**	**2.7**	**6.5**	**2.8**	**2.5**	**3.9**	**4.3**	**3.4**
Non-GCC oil exporters	**14.2**	**12.1**	**20.7**	**9.6**	**9.0**	**15.6**	**...**	**...**

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

[1]Core inflation uses country-specific definitions of core in its calculation.

Table 9. Broad Money Growth

(Annual change; percent)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**16.7**	**25.1**	**18.4**	**13.0**	**12.1**	**13.8**	**12.6**	**12.5**
Oil exporters	**17.9**	**28.4**	**19.4**	**13.6**	**12.1**	**14.6**	**13.1**	**12.7**
Algeria	15.3	24.2	16.0	4.8	13.5	19.9	15.3	12.7
Bahrain	11.0	40.8	18.4	5.8	10.5	3.4	4.7	4.7
Iran, I.R. of	31.9	28.6	15.2	23.5	26.7	17.3	26.5	20.2
Iraq	...	37.3	35.4	26.7	14.8	38.0	19.5	16.1
Kuwait	11.1	19.3	15.6	13.4	3.0	8.5	7.8	8.8
Libya	10.3	36.6	48.8	12.5	3.6	25.0	–15.0	4.5
Oman	10.4	37.2	23.1	4.7	11.3	12.2	14.7	14.5
Qatar	22.8	39.5	19.7	16.9	23.1	17.1	13.0	14.5
Saudi Arabia	11.8	19.6	17.6	10.7	5.0	13.3	10.0	9.2
United Arab Emirates	20.4	41.7	19.2	9.8	6.2	5.0	4.1	9.4
Yemen	20.7	16.8	13.7	10.6	9.2	0.0	13.0	15.0
Oil importers	**14.2**	**16.2**	**15.8**	**11.2**	**12.0**	**11.8**	**11.1**	**11.8**
Afghanistan, Rep. of	...	14.4	64.9	17.1	21.3	18.8	17.1	13.8
Djibouti	11.1	9.6	20.6	17.5	12.2	–4.5	7.0	7.5
Egypt	13.3	18.3	15.5	8.4	10.4	10.1	8.3	12.6
Jordan	11.2	10.6	17.3	9.3	11.5	8.1	8.1	9.5
Lebanon[1]	8.7	10.9	15.5	23.2	12.2	7.2	8.0	9.0
Mauritania	21.0	18.9	13.7	14.9	12.9	19.9	13.1	13.8
Morocco	12.7	17.4	13.5	7.0	4.9	6.6	6.2	6.8
Pakistan	15.1	19.3	15.3	9.6	12.5	15.9	8.4	12.8
Sudan	31.7	10.4	16.4	24.1	24.9	17.7	38.4	17.5
Syrian Arab Republic	15.7	12.4	12.5	9.4	12.6	...	...	...
Tunisia[1]	9.8	12.5	14.4	13.0	12.1	9.2	10.9	9.1
CCA	**40.7**	**43.7**	**34.2**	**19.2**	**24.1**	**22.6**	**21.7**	**19.2**
Oil and gas exporters	**41.9**	**42.6**	**38.4**	**19.6**	**24.8**	**22.4**	**22.1**	**19.3**
Azerbaijan	37.0	72.4	25.5	16.6	21.9	32.1	33.4	18.4
Kazakhstan	46.1	25.9	35.4	17.9	15.7	14.1	16.7	16.7
Turkmenistan	35.7	72.2	62.8	10.9	43.4	36.3	16.6	22.5
Uzbekistan	40.5	46.9	38.7	40.8	52.4	32.3	30.2	29.1
Oil and gas importers	**33.6**	**50.9**	**6.1**	**17.0**	**19.4**	**24.5**	**19.1**	**17.9**
Armenia	24.3	42.3	2.4	16.4	10.6	23.6	15.5	14.5
Georgia	37.3	54.0	7.9	7.8	23.9	20.3	20.4	20.4
Kyrgyz Republic	26.3	33.3	9.8	20.9	21.1	14.9	18.5	16.8
Tajikistan	50.2	78.8	6.3	38.9	25.7	44.5	22.6	18.9
Memorandum								
MENA	**16.9**	**25.6**	**18.5**	**13.2**	**12.0**	**13.7**	**12.9**	**12.4**
MENA oil importers	**14.0**	**15.1**	**14.8**	**11.7**	**11.6**	**10.0**	**11.9**	**11.3**
Arab countries in transition (excl. Libya)	**13.1**	**16.6**	**14.8**	**8.9**	**9.2**	**8.3**	**8.4**	**11.0**
GCC	**14.5**	**28.3**	**18.3**	**11.0**	**7.3**	**10.6**	**8.7**	**10.1**
Non-GCC oil exporters	**23.6**	**28.7**	**21.1**	**17.7**	**19.2**	**20.4**	**19.6**	**16.6**

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

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

Table 10. Central Government Net Lending/Borrowing

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**2.2**	**5.2**	**5.7**	**–2.4**	**0.1**	**1.1**	**0.9**	**0.7**
Oil exporters	**5.7**	**10.3**	**11.5**	**–0.8**	**3.2**	**5.5**	**5.3**	**3.6**
Algeria	7.5	6.2	9.0	–5.1	–0.9	–0.2	–3.9	–1.3
Bahrain	1.6	1.9	4.9	–6.6	–7.0	–2.4	–3.9	–3.6
Iran, I.R. of	2.7	7.4	0.7	1.0	1.6	–0.2	–2.9	–3.9
Iraq	...	11.9	–1.3	–20.5	–8.8	7.6	–1.9	3.1
Kuwait	28.2	39.0	19.8	26.8	25.2	29.1	30.2	26.4
Libya	13.2	24.0	25.1	–3.0	16.7	–27.7	19.4	7.7
Oman	9.8	12.1	16.8	–0.3	5.4	9.6	8.5	7.1
Qatar	8.7	10.9	9.8	13.4	2.6	12.3	9.6	8.5
Saudi Arabia	6.5	12.7	32.5	–6.1	5.1	13.0	15.7	10.2
United Arab Emirates[1]	0.1	0.1	0.2	0.2	0.1	0.4	0.2	0.1
Yemen	0.2	–7.2	–4.5	–11.0	–6.3	–7.5	–7.2	–5.5
Oil importers	**–5.2**	**–4.9**	**–5.4**	**–5.2**	**–5.9**	**–7.3**	**–7.8**	**–7.8**
Afghanistan, Rep. of	...	–2.0	–4.0	–1.3	0.9	–0.9	–0.8	–0.6
Djibouti	–1.9	–2.6	1.3	–4.6	–0.5	–0.7	0.4	0.8
Egypt[2]	...	–7.3	–7.0	–6.9	–8.1	–9.8	–11.1	–10.5
Jordan	–3.0	–5.7	–5.5	–8.9	–5.6	–5.7	–6.5	–5.5
Lebanon	–14.6	–10.8	–9.5	–8.3	–7.7	–6.1	–7.9	–8.3
Mauritania[3]	...	–1.6	–6.5	–5.1	–1.5	–1.5	–2.4	–2.3
Morocco	–4.0	–0.1	0.7	–1.8	–4.4	–6.9	–6.1	–5.3
Pakistan[4]	–3.3	–4.4	–7.4	–4.9	–6.4	–7.5	–6.7	...
Sudan	–0.9	–2.5	–0.1	–4.2	–0.4	–1.3	–4.0	–3.9
Syrian Arab Republic	...	...	...	...	...	...	...	...
Tunisia	–1.5	–1.8	–0.4	–2.7	–1.0	–2.6	–4.6	–4.9
CCA	**...**	**3.8**	**6.9**	**0.9**	**4.5**	**5.6**	**3.8**	**3.4**
Oil and gas exporters	**...**	**4.3**	**7.7**	**1.6**	**5.2**	**6.3**	**4.5**	**4.0**
Azerbaijan	0.4	2.3	20.0	6.6	14.0	11.3	8.3	6.3
Kazakhstan	...	4.7	1.1	–1.4	1.4	5.8	3.5	3.6
Turkmenistan	...	...	...	...	...	...	...	...
Uzbekistan	0.2	5.2	10.7	3.1	4.8	2.6	3.0	2.7
Oil and gas importers	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Armenia	...	–2.3	–1.8	–7.7	–4.9	–2.8	–3.1	–2.6
Georgia	...	...	...	...	...	...	...	...
Kyrgyz Republic	–5.2	–1.5	–0.3	–8.0	–5.6	–4.9	–6.0	–5.5
Tajikistan	...	...	...	...	...	...	...	...
Memorandum								
MENA	3.0	6.5	7.5	–2.0	0.9	2.2	1.9	0.7
MENA oil importers	**...**	**–5.1**	**–4.4**	**–5.5**	**–5.8**	**–7.3**	**–8.6**	**–8.1**
Arab countries in transition (excl. Libya)	**...**	**–5.3**	**–4.6**	**–5.9**	**–6.4**	**–8.1**	**–9.0**	**–8.3**
GCC	**7.9**	**13.0**	**20.6**	**1.3**	**5.8**	**11.8**	**12.9**	**9.5**
Non-GCC oil exporters	**3.9**	**8.1**	**3.4**	**–2.6**	**0.9**	**–0.5**	**–1.9**	**–2.0**

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

[1]Federal government.

[2]The budget sector comprises central government, local government, and some public corporations.

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

[4]Excludes payments for electricity arrears and commodity operations in the fiscal years 2009/10, 2010/11, and 2011/12.

Table 11. General Government Fiscal Balance

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**3.1**	**6.2**	**6.6**	**−3.0**	**−0.4**	**1.5**	**1.5**	**0.4**
Oil exporters	**7.4**	**12.4**	**13.3**	**−1.8**	**2.5**	**5.9**	**6.1**	**4.4**
Algeria	7.6	4.4	7.6	−6.4	−2.3	−0.2	−3.9	−1.3
Bahrain[1]	1.6	1.9	4.9	−6.6	−7.0	−2.4	−3.9	−3.6
Iran, I.R. of [1]	2.7	7.4	0.7	1.0	1.6	−0.2	−2.9	−3.9
Iraq	...	11.9	−1.3	−20.5	−8.8	7.6	−1.9	3.1
Kuwait[1]	28.2	39.0	19.8	26.8	25.2	29.1	30.2	26.4
Libya	13.2	24.0	25.1	−3.0	16.7	−27.7	19.4	7.7
Oman[1]	9.1	11.1	13.7	−2.1	4.0	8.1	7.1	5.8
Qatar	8.7	10.9	9.8	13.4	2.6	12.3	9.6	8.5
Saudi Arabia	10.5	16.3	34.4	−4.7	3.4	14.0	16.6	11.2
United Arab Emirates[2]	7.3	16.0	16.8	−12.8	−2.2	3.1	7.5	7.5
Yemen	0.2	−7.2	−4.5	−10.2	−4.0	−4.3	−5.7	−6.0
Oil importers	**−4.5**	**−5.2**	**−5.6**	**−5.0**	**−5.6**	**−7.0**	**−7.8**	**−7.4**
Afghanistan, Rep. of	...	−2.0	−4.0	−1.3	0.9	−0.9	−0.8	−0.6
Djibouti	−1.9	−2.6	1.3	−4.6	−0.5	−0.7	0.4	0.8
Egypt	−6.8	−7.5	−8.0	−6.8	−7.8	−9.9	−11.1	−9.8
Jordan[1]	−3.0	−5.7	−5.5	−8.9	−5.6	−5.7	−6.5	−5.5
Lebanon[1]	−14.6	−10.8	−9.5	−8.3	−7.7	−6.1	−7.9	−8.3
Mauritania[1,3]	...	−1.6	−6.5	−5.1	−1.5	−1.5	−2.4	−2.3
Morocco[1]	−5.0	−0.1	0.7	−1.8	−4.4	−6.9	−6.1	−5.3
Pakistan	−2.8	−5.5	−7.3	−5.0	−5.9	−6.4	−6.4	−7.2
Sudan	−0.9	−2.5	−0.1	−4.2	−0.4	−1.3	−4.0	−3.9
Syrian Arab Republic	−1.9	−3.0	−2.9	−2.9	−4.8	...	...	...
Tunisia	−2.7	−2.8	−0.7	−2.6	−0.9	−3.1	−6.4	−5.3
CCA	**1.1**	**3.1**	**6.1**	**0.8**	**3.7**	**6.3**	**3.5**	**2.9**
Oil and gas exporters	**1.9**	**4.3**	**7.8**	**2.1**	**5.1**	**7.8**	**4.7**	**3.9**
Azerbaijan[1]	0.2	2.6	20.3	7.0	14.6	13.3	8.2	6.1
Kazakhstan	3.1	4.7	1.1	−1.4	1.4	5.8	3.5	3.6
Turkmenistan[4]	1.6	3.9	10.0	7.0	2.0	3.6	6.8	4.7
Uzbekistan	0.2	5.2	10.2	2.8	4.9	9.0	3.0	2.0
Oil and gas importers	**−2.6**	**−3.4**	**−3.6**	**−6.8**	**−5.3**	**−3.3**	**−3.8**	**−3.1**
Armenia[1]	−2.5	−2.3	−1.8	−7.7	−4.9	−2.8	−3.1	−2.6
Georgia	−1.4	−4.7	−6.3	−9.2	−6.6	−3.6	−3.6	−3.0
Kyrgyz Republic	−5.1	−0.3	0.0	−3.5	−6.3	−4.8	−6.2	−5.6
Tajikistan	−2.4	−5.5	−5.1	−5.2	−3.0	−2.1	−2.9	−1.9
Memorandum								
MENA	**3.9**	**7.7**	**8.4**	**−2.8**	**0.2**	**2.5**	**2.5**	**1.4**
MENA oil importers	**−5.3**	**−5.1**	**−4.8**	**−5.2**	**−5.6**	**−7.5**	**−8.7**	**−7.7**
Arab countries in transition (excl. Libya)	**−5.2**	**−5.5**	**−5.2**	**−5.7**	**−6.0**	**−8.0**	**−9.1**	**−8.0**
GCC	**11.5**	**17.9**	**24.8**	**−0.7**	**4.5**	**12.7**	**14.6**	**11.2**
Non−GCC oil exporters	**3.9**	**7.8**	**3.2**	**−2.8**	**0.8**	**−0.3**	**−1.8**	**−2.1**
West Bank and Gaza[1,5]	...	−26.7	−30.5	−26.4	−16.7	−10.8	−14.6	−15.1

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

[1]Central government.

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

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

[4]State government.

[5]West Bank and Gaza is not a member of the IMF.

Table 12. General Government Total Revenue, Excluding Grants

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**31.2**	**35.1**	**37.2**	**31.0**	**31.6**	**33.2**	**32.7**	**32.3**
Oil exporters	**36.9**	**41.9**	**45.1**	**36.0**	**37.4**	**40.2**	**39.5**	**38.5**
Algeria	37.8	39.6	46.8	36.6	36.5	39.6	37.5	35.1
Bahrain[1]	31.5	28.8	32.0	23.5	26.8	27.3	28.4	27.8
Iran, I.R. of[1]	24.4	29.0	25.4	23.7	22.8	24.8	18.4	17.1
Iraq	...	75.4	74.0	64.7	68.1	76.5	73.5	74.7
Kuwait[1]	64.4	69.2	60.2	69.0	68.4	67.6	69.6	69.3
Libya	50.2	61.9	68.0	52.4	66.0	38.5	70.4	64.0
Oman[1]	47.0	45.4	46.1	37.7	39.0	41.3	41.0	39.5
Qatar	39.9	40.7	33.7	47.7	33.7	39.2	39.4	38.6
Saudi Arabia	46.0	50.4	66.0	41.0	48.1	53.3	54.1	51.7
United Arab Emirates[2]	27.1	33.8	39.1	26.8	30.0	35.0	36.1	35.0
Yemen	33.5	32.8	36.5	24.6	24.8	23.4	23.2	24.0
Oil importers	**21.3**	**22.6**	**22.9**	**22.2**	**21.2**	**19.7**	**19.3**	**19.9**
Afghanistan, Rep. of	...	7.7	7.8	10.3	11.0	11.2	11.3	11.3
Djibouti	27.1	30.2	28.8	30.6	30.1	28.5	29.0	30.8
Egypt	26.1	27.2	27.6	26.9	24.8	21.8	21.8	22.9
Jordan[1]	26.1	29.5	25.5	24.5	22.7	20.5	21.0	21.9
Lebanon[1]	20.7	22.7	22.8	24.2	22.7	23.4	23.8	23.8
Mauritania[1,3]	...	25.8	23.4	24.7	24.9	26.8	30.7	27.8
Morocco[1]	24.2	29.5	32.2	28.9	27.3	27.4	27.7	26.9
Pakistan	13.9	15.0	14.6	14.5	14.0	12.5	12.4	13.3
Sudan	16.5	22.7	24.0	16.5	18.6	17.9	11.5	12.7
Syrian Arab Republic	27.0	22.7	20.1	23.8	21.8	...	...	...
Tunisia	26.7	27.4	29.6	29.3	30.0	31.4	30.4	29.7
CCA	**25.2**	**28.5**	**33.2**	**28.3**	**29.7**	**32.1**	**30.4**	**29.5**
Oil and gas exporters	**26.6**	**29.3**	**34.8**	**29.0**	**30.7**	**33.2**	**31.2**	**30.2**
Azerbaijan[1]	24.7	28.2	51.1	40.4	45.6	45.5	40.8	38.3
Kazakhstan	25.0	29.3	27.9	22.1	23.9	27.8	26.3	26.3
Turkmenistan[4]	21.1	17.3	20.9	20.4	16.1	18.9	21.3	18.4
Uzbekistan	33.2	35.4	40.5	36.3	36.6	39.9	37.6	36.8
Oil and gas importers	**18.3**	**24.3**	**24.0**	**23.8**	**23.7**	**25.1**	**25.6**	**25.4**
Armenia[1]	15.9	19.3	20.1	20.2	20.2	20.3	21.0	21.4
Georgia[5]	19.0	28.7	27.5	27.1	26.0	27.4	27.0	26.6
Kyrgyz Republic	21.7	28.1	28.0	27.1	27.7	30.2	32.9	31.4
Tajikistan	16.8	20.5	20.5	20.0	20.9	22.6	23.0	22.9
Memorandum								
MENA	**33.6**	**37.7**	**40.2**	**33.2**	**33.9**	**36.0**	**35.5**	**34.8**
MENA oil importers	**24.9**	**26.5**	**27.0**	**26.0**	**24.6**	**23.5**	**23.1**	**23.6**
Arab countries in transition (excl. Libya)	**26.4**	**28.2**	**29.2**	**27.3**	**25.8**	**24.0**	**24.0**	**24.5**
GCC	**43.8**	**47.7**	**54.8**	**41.4**	**44.1**	**48.4**	**49.3**	**47.7**
Non-GCC oil exporters	**30.7**	**36.9**	**36.6**	**31.3**	**31.7**	**32.6**	**30.3**	**29.8**

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

[1]Central government.

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

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

[4]State government.

[5]Revised for 2002–04 to include extrabudgetary revenues.

Table 13. Oil Exporters: General Government Non-Oil Fiscal Balance

(Percent of non-oil GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP oil exporters	**−33.1**	**−37.7**	**−49.5**	**−47.0**	**−50.5**	**−52.7**	**−56.0**	**−56.1**
Algeria	−32.1	−45.7	−53.3	−44.1	−40.5	−44.0	−44.8	−37.6
Bahrain[1]	−29.0	−28.7	−31.7	−34.4	−40.4	−38.6	−41.2	−39.9
Iran, I.R. of[1]	−18.1	−17.1	−21.5	−15.2	−16.2	−17.0	−13.6	−12.2
Iraq	...	−126.0	−215.5	−171.3	−174.2	−200.3	−226.8	−206.2
Kuwait[1]	−35.5	−28.7	−74.5	−62.5	−70.2	−74.9	−77.2	−78.7
Libya	−74.5	−113.3	−144.8	−115.7	−155.2	−195.9	−251.1	−252.3
Oman[1]	−48.7	−41.1	−51.1	−48.6	−51.3	−59.7	−60.0	−56.3
Qatar	−43.7	−28.0	−20.7	−18.0	−37.8	−29.1	−29.2	−27.0
Saudi Arabia	−40.7	−50.1	−52.2	−66.7	−73.0	−76.0	−69.8	−72.5
United Arab Emirates[2]	−16.7	−12.8	−22.9	−42.2	−35.7	−42.3	−36.5	−33.9
Yemen	−36.4	−43.1	−46.3	−31.3	−29.9	−30.4	−27.1	−29.5
CCA oil and gas exporters	**−7.7**	**−12.3**	**−21.2**	**−19.4**	**−19.3**	**−19.5**	**−19.7**	**−18.1**
Azerbaijan[1]	−14.9	−28.6	−39.4	−35.7	−36.5	−41.7	−39.7	−36.1
Kazakhstan	−5.3	−6.5	−16.0	−13.7	−13.6	−12.1	−13.9	−13.2
Turkmenistan[3]	−9.6	−6.5	−6.0	−8.4	−7.9	−8.9	−7.2	−6.7
Uzbekistan	...	...	...	...	...	...	...	...
GCC	**−35.7**	**−36.9**	**−45.4**	**−54.3**	**−59.4**	**−61.9**	**−58.2**	**−58.7**
Non−GCC oil exporters	**−30.6**	**−38.3**	**−53.1**	**−40.8**	**−43.0**	**−44.1**	**−53.9**	**−53.6**

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

[1]Central government.

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

[3]State government.

Table 14. Oil Exporters: General Government Non-Oil Revenue

(Percent of non-oil GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP oil exporters	**16.7**	**18.7**	**18.7**	**17.1**	**15.5**	**15.9**	**16.9**	**16.6**
Algeria	17.2	17.1	18.1	18.2	18.9	18.9	19.2	17.5
Bahrain[1]	10.8	7.1	6.1	4.7	4.9	3.5	4.4	5.1
Iran, I.R. of[1]	10.1	12.1	11.6	12.6	10.6	11.9	11.7	11.8
Iraq	...	13.1	12.5	16.0	13.6	12.5	11.8	12.6
Kuwait[1]	36.7	38.4	30.3	25.1	29.6	33.7	35.5	34.6
Libya	18.3	22.3	28.4	19.7	22.4	6.9	15.7	14.9
Oman[1]	14.3	16.6	13.6	13.9	12.2	10.8	10.8	10.7
Qatar	29.2	33.8	32.4	44.2	26.4	34.5	40.0	39.1
Saudi Arabia	23.0	25.1	27.9	19.2	18.1	16.7	17.9	17.6
United Arab Emirates[2]	11.1	14.1	12.5	11.6	11.0	10.1	10.7	10.4
Yemen	13.2	14.8	12.4	12.6	12.2	11.0	13.6	12.5
CCA oil and gas exporters	**24.2**	**26.1**	**22.5**	**19.0**	**17.5**	**18.2**	**17.3**	**17.0**
Azerbaijan[1]	24.8	29.7	27.7	25.1	22.8	23.1	22.4	22.5
Kazakhstan	25.4	26.9	21.8	16.8	16.1	17.3	16.2	16.0
Turkmenistan[3]	14.2	11.6	13.4	15.5	12.4	11.5	11.6	10.4
Uzbekistan	...	...	...	...	...	...	...	...
Memorandum								
GCC	**21.9**	**24.3**	**24.1**	**20.4**	**18.3**	**19.0**	**20.6**	**20.2**
Non-GCC oil exporters	**12.1**	**13.9**	**14.0**	**14.3**	**13.1**	**13.0**	**13.3**	**13.1**

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

[1]Central government.

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

[3]State government.

Table 15. General Government Total Expenditure and Net Lending

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**28.7**	**29.3**	**31.1**	**34.5**	**32.4**	**31.9**	**31.7**	**32.2**
Oil exporters	**29.8**	**29.7**	**32.3**	**38.3**	**35.2**	**34.4**	**33.6**	**34.2**
Algeria[1]	30.3	35.2	39.2	43.0	38.8	39.8	41.4	36.4
Bahrain[2]	30.6	27.5	27.4	30.5	34.2	30.7	34.7	35.1
Iran, I.R. of[2]	21.7	21.7	24.7	22.6	21.2	25.0	21.4	21.1
Iraq	...	68.7	84.1	95.0	81.7	70.5	76.0	71.8
Kuwait[2]	36.2	30.2	40.4	42.2	43.2	38.5	39.4	42.9
Libya	36.9	37.8	42.9	55.4	49.3	66.2	51.0	56.3
Oman[2]	37.8	36.4	32.3	40.0	34.9	33.1	34.0	35.0
Qatar	31.2	29.8	23.9	34.2	31.0	26.9	29.8	30.1
Saudi Arabia	35.5	34.1	31.6	45.6	44.6	39.3	37.4	40.6
United Arab Emirates[3]	19.8	17.8	22.3	39.6	32.2	32.0	28.6	27.5
Yemen	33.8	40.3	41.2	35.2	30.1	28.9	35.6	31.8
Oil importers	**26.6**	**28.4**	**29.0**	**27.9**	**27.3**	**27.3**	**28.0**	**28.2**
Afghanistan, Rep. of	...	22.0	21.5	21.8	21.1	22.7	23.8	23.7
Djibouti	34.7	37.7	40.6	41.6	36.0	35.2	35.1	34.8
Egypt	33.6	35.3	35.8	34.5	33.0	32.0	33.6	33.2
Jordan[2]	35.4	38.0	35.6	35.4	30.4	33.2	31.7	31.3
Lebanon[2]	35.8	34.9	33.2	32.8	30.6	29.6	31.8	32.2
Mauritania	35.8	29.6	30.7	30.6	27.5	29.0	34.5	31.1
Morocco[2,4]	29.4	30.1	31.8	31.1	31.9	34.5	34.4	33.3
Pakistan	17.8	20.8	22.3	19.9	20.3	19.2	19.2	20.8
Sudan	17.5	25.4	24.1	20.7	19.6	20.0	16.9	18.0
Syrian Arab Republic	28.9	25.7	23.0	26.7	26.6	...	...	...
Tunisia	29.6	30.2	30.7	32.3	31.0	34.8	37.4	35.1
CCA	**24.4**	**25.7**	**27.5**	**28.1**	**26.5**	**26.5**	**27.2**	**26.8**
Oil and gas exporters	**24.9**	**25.1**	**27.1**	**27.1**	**25.8**	**25.9**	**26.6**	**26.3**
Azerbaijan[2,5]	24.4	25.9	31.1	33.8	31.7	34.2	32.5	32.0
Kazakhstan	22.0	24.6	26.9	23.5	22.5	22.0	22.8	22.6
Turkmenistan[6]	19.4	13.4	10.9	13.4	14.1	15.2	14.5	13.7
Uzbekistan	33.6	30.4	30.5	33.9	32.1	31.2	34.9	35.2
Oil and gas importers	**22.0**	**29.2**	**29.6**	**34.2**	**31.2**	**30.4**	**31.2**	**29.9**
Armenia[2,5]	20.0	23.2	23.0	32.0	26.9	25.5	25.3	25.4
Georgia	21.1	34.0	37.0	38.4	34.9	32.0	31.8	30.7
Kyrgyz Republic	27.8	31.0	29.3	36.1	36.6	38.0	41.1	38.4
Tajikistan	20.1	28.0	27.2	28.6	26.1	27.0	29.0	26.7
Memorandum								
MENA	**30.1**	**30.4**	**32.2**	**36.4**	**33.9**	**33.6**	**33.3**	**33.7**
MENA oil importers	**30.9**	**32.1**	**32.2**	**31.7**	**30.6**	**31.5**	**32.6**	**32.1**
Arab countries in transition (excl. Libya)	**32.4**	**34.2**	**34.8**	**33.7**	**32.2**	**32.6**	**34.2**	**33.3**
GCC	**32.3**	**29.8**	**30.0**	**42.1**	**39.7**	**35.7**	**34.8**	**36.7**
Non-GCC oil exporters	**27.5**	**29.6**	**34.3**	**35.0**	**31.4**	**33.1**	**32.4**	**31.9**

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

[1]Including special accounts.

[2]Central government.

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

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

[5]Expenditures do not include statistical discrepancy.

[6]State government.

Table 16. Total Government Gross Debt

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**56.5**	**35.4**	**31.5**	**35.9**	**34.9**	**33.1**	**33.5**	**31.7**
Oil exporters	**38.7**	**18.5**	**14.1**	**19.7**	**18.5**	**14.9**	**13.9**	**10.7**
Algeria	45.9	13.5	8.1	10.4	10.9	9.5	8.6	7.9
Bahrain[1]	30.7	19.2	14.6	25.4	35.6	36.8	36.0	37.1
Iran, I.R. of[1]	11.6	7.8	7.2	8.9	11.3	9.0	7.8	6.7
Iraq	...	172.9	106.6	135.5	116.7	88.7	77.7	25.5
Kuwait[1]	22.8	7.0	5.3	6.7	5.9	4.5	4.2	4.1
Libya	18.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman[1]	16.9	6.9	4.7	6.3	5.3	5.0	5.5	6.1
Qatar	37.4	8.3	9.2	35.0	42.2	32.8	35.6	32.8
Saudi Arabia	70.1	18.5	13.2	15.9	9.8	6.1	5.5	5.3
United Arab Emirates[2]	4.7	7.8	12.5	23.4	22.3	17.8	16.5	16.4
Yemen	53.3	40.4	36.4	49.8	40.9	42.4	44.9	45.1
Oil importers	**87.8**	**67.0**	**63.5**	**64.7**	**64.8**	**68.6**	**73.0**	**74.2**
Afghanistan, Rep. of	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**
Djibouti	36.0	63.6	60.2	59.8	56.1	52.3	51.1	53.2
Egypt	92.3	80.2	70.2	73.0	73.2	76.4	79.7	81.1
Jordan[1]	92.7	73.8	60.3	64.8	67.1	70.7	79.2	83.0
Lebanon[1]	164.8	167.7	156.3	147.6	141.7	137.4	135.2	135.6
Mauritania[3]	191.6	96.9	110.5	124.5	86.1	79.4	85.1	80.0
Morocco[1]	65.6	54.6	48.2	48.0	51.3	54.3	58.1	58.9
Pakistan	73.7	53.6	59.3	61.3	61.6	60.2	61.8	62.3
Sudan	129.7	76.7	69.4	72.5	74.0	74.1	112.1	116.3
Syrian Arab Republic	109.7	43.2	37.4	31.4	29.4	...	...	...
Tunisia	60.3	45.9	43.3	42.9	40.5	44.4	46.3	51.5
CCA	**28.0**	**11.2**	**10.8**	**14.3**	**14.8**	**13.7**	**15.3**	**15.1**
Oil and gas exporters	**21.6**	**8.1**	**7.7**	**10.0**	**10.6**	**9.8**	**11.6**	**11.7**
Azerbaijan[1]	19.3	8.6	7.3	11.8	11.1	10.0	11.4	11.2
Kazakhstan	14.9	5.9	6.7	10.2	10.7	10.5	12.4	13.0
Turkmenistan[4]	17.2	2.4	2.8	2.4	10.6	7.3	14.4	13.3
Uzbekistan	40.3	15.8	12.7	11.0	10.0	9.1	8.8	8.6
Oil and gas importers	**60.1**	**28.2**	**28.0**	**40.2**	**40.9**	**37.9**	**38.2**	**36.6**
Armenia[1]	30.2	14.2	14.6	34.1	33.3	35.1	34.2	31.3
Georgia	51.8	21.5	27.6	37.3	39.2	33.9	33.8	32.1
Kyrgyz Republic	99.2	56.8	48.5	58.0	60.3	52.4	55.1	51.4
Tajikistan	70.1	34.6	29.8	36.2	36.3	35.5	36.4	37.2
Memorandum								
MENA	**54.2**	**33.2**	**28.1**	**32.7**	**31.7**	**29.6**	**29.9**	**27.8**
MENA oil importers	**94.5**	**73.3**	**65.4**	**66.3**	**66.2**	**72.9**	**78.6**	**80.3**
Arab countries in transition (excl. Libya)	**80.3**	**68.1**	**60.1**	**62.9**	**62.7**	**66.2**	**69.6**	**71.3**
GCC	**46.0**	**13.4**	**11.2**	**18.0**	**15.9**	**12.1**	**11.8**	**11.4**
Non-GCC oil exporters	**31.8**	**22.8**	**16.6**	**21.2**	**20.6**	**17.6**	**15.8**	**9.9**

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

[1]Central government.

[2]Banking system claims only. Excludes debt raised by federal and Emirati governments in the international markets.

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

[4]State government.

Table 17. Selected MENAP Countries: Total Government Net Debt

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**31.0**	**18.9**	**16.4**	**20.6**	**21.5**	**22.5**	**23.6**	**22.1**
Oil exporters	**–7.6**	**–12.7**	**–15.3**	**–8.2**	**–6.5**	**–7.1**	**–7.3**	**–11.6**
Bahrain[1]	22.6	19.2	14.6	25.4	35.6	36.8	36.0	37.1
Iran, I.R. of[1]	–1.2	–8.4	–6.4	0.2	0.0	–0.7	1.5	3.0
Iraq	...	172.9	106.6	135.5	116.7	88.7	77.7	25.5
Libya	–30.1	–85.5	–77.3	–99.9	–97.3	–196.1	–100.4	–94.7
Oman[1]	–28.4	–36.2	–29.5	–38.8	–34.6	–34.7	–33.2	–33.5
Qatar	31.7	4.4	5.9	30.4	38.6	29.0	29.8	28.1
United Arab Emirates[2]	–114.0	–100.9	–100.8	–107.1	–96.8	–86.0	–91.1	–96.3
Yemen	47.0	35.2	31.4	43.7	36.8	39.1	41.8	42.5
Oil importers	**72.6**	**57.5**	**54.6**	**55.0**	**55.4**	**60.5**	**64.1**	**66.3**
Egypt	65.0	64.5	55.6	58.7	60.0	64.3	68.9	71.7
Jordan[1]	87.9	67.6	54.9	57.1	61.1	65.4	74.3	78.5
Lebanon[1]	158.5	162.0	144.9	134.0	132.1	131.7	130.9	131.6
Mauritania[3]	191.1	94.8	90.6	101.4	84.7	77.3	83.0	78.2
Morocco[1]	63.3	53.1	47.5	47.3	50.8	53.9	57.7	58.5
Pakistan	72.0	48.6	54.7	54.4	53.4	52.6	55.7	57.7
Syrian Arab Republic	79.2	27.6	22.9	18.1	18.6	...	...	...
Tunisia	60.3	45.9	43.3	42.9	40.5	44.4	46.3	51.5
Memorandum								
MENA	**23.0**	**13.5**	**9.6**	**14.6**	**16.0**	**16.9**	**17.7**	**15.7**
MENA oil importers	**72.9**	**62.1**	**54.6**	**55.3**	**56.4**	**64.8**	**68.7**	**71.2**
Arab countries in transition (excl. Libya)	**63.5**	**58.1**	**50.8**	**53.6**	**54.4**	**58.5**	**62.7**	**65.3**

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

[1]Central government.

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

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

Table 18. Exports of Goods and Services

(Billions of U.S. dollars)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**496.2**	**1,029.9**	**1,341.0**	**972.3**	**1,188.4**	**1,505.9**	**1,570.4**	**1,607.6**
Oil exporters	**405.1**	**867.0**	**1,132.4**	**793.4**	**989.1**	**1,310.2**	**1,381.0**	**1,404.1**
Algeria	32.7	63.5	82.1	48.2	60.7	76.6	76.0	75.5
Bahrain	9.6	17.2	21.1	15.5	17.7	22.7	22.9	23.3
Iran, I.R. of	47.2	105.2	109.6	96.7	118.7	155.7	101.9	93.1
Iraq	...	38.7	63.5	40.6	53.0	80.6	93.6	113.9
Kuwait	32.7	72.7	98.4	65.9	77.0	114.5	124.2	120.2
Libya	21.9	49.2	62.3	37.4	47.3	13.0	58.6	60.4
Oman	14.9	26.4	39.5	29.3	38.4	49.2	52.5	53.7
Qatar	19.9	50.5	73.0	48.3	81.7	119.7	119.1	119.0
Saudi Arabia	125.9	249.3	322.8	202.1	261.8	376.2	409.4	404.2
United Arab Emirates	85.0	186.7	249.7	202.3	223.6	292.1	312.7	330.0
Yemen	5.1	7.8	10.2	7.1	9.3	9.9	10.1	10.9
Oil importers	**91.2**	**162.9**	**208.6**	**178.9**	**199.3**	**195.6**	**189.4**	**203.5**
Afghanistan, Rep. of	...	2.0	2.8	2.9	3.2	3.3	3.2	3.2
Djibouti	0.2	0.3	0.4	0.4	0.4	0.5	0.5	0.6
Egypt	21.6	39.4	53.3	47.0	46.6	48.4	46.9	49.4
Jordan	5.3	9.3	12.4	10.9	12.6	13.2	14.3	15.8
Lebanon	9.2	16.0	22.8	22.8	24.6	26.2	26.3	27.7
Mauritania	0.6	1.5	1.9	1.5	2.2	3.0	2.8	3.0
Morocco	15.0	27.3	33.4	26.3	30.1	35.5	37.0	41.4
Pakistan	14.0	21.4	24.0	23.2	24.9	31.1	29.6	32.3
Sudan	3.4	10.0	13.1	8.5	13.0	11.8	5.7	6.5
Syrian Arab Republic	8.7	15.6	19.3	15.4	19.5	...	...	...
Tunisia	11.7	20.1	25.2	19.9	22.2	22.7	23.0	23.7
CCA	**38.3**	**100.6**	**142.1**	**99.9**	**126.6**	**174.9**	**179.3**	**183.5**
Oil and gas exporters	**34.1**	**92.8**	**133.0**	**92.1**	**117.2**	**162.6**	**165.9**	**168.8**
Azerbaijan	5.2	22.5	32.1	22.8	28.5	37.2	35.0	34.0
Kazakhstan	20.3	51.9	76.4	48.2	65.8	93.0	96.4	98.9
Turkmenistan	4.2	9.5	12.3	9.5	10.3	17.4	18.3	19.4
Uzbekistan	4.3	8.9	12.2	11.5	12.5	15.0	16.2	16.5
Oil and gas importers	**4.2**	**7.7**	**9.1**	**7.9**	**9.4**	**12.3**	**13.4**	**14.6**
Armenia	0.9	1.8	1.8	1.3	1.9	2.4	2.6	2.7
Georgia	1.5	3.2	3.7	3.2	4.1	5.2	6.1	6.4
Kyrgyz Republic	0.9	2.0	2.8	2.6	2.5	3.5	3.5	4.2
Tajikistan	0.8	0.8	0.9	0.8	0.9	1.2	1.2	1.3
Memorandum								
MENA	**481.0**	**1,006.5**	**1,314.2**	**946.2**	**1,160.3**	**1,471.5**	**1,537.6**	**1,572.1**
MENA oil importers	**75.9**	**139.5**	**181.8**	**152.9**	**171.2**	**161.2**	**156.6**	**168.1**
Arab countries in transition (excl. Libya)	**58.8**	**103.8**	**134.5**	**111.3**	**120.9**	**129.7**	**131.3**	**141.3**
GCC	**288.0**	**602.7**	**804.6**	**563.4**	**700.2**	**974.4**	**1,040.8**	**1,050.3**
Non-GCC oil exporters	**117.1**	**264.3**	**327.8**	**230.0**	**288.9**	**335.9**	**340.1**	**353.7**

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

Table 19. Imports of Goods and Services

(Billions of U.S. dollars)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**374.6**	**778.2**	**1,006.6**	**914.5**	**985.9**	**1,082.1**	**1,183.6**	**1,250.3**
Oil exporters	**261.7**	**569.0**	**734.3**	**671.5**	**730.4**	**820.3**	**906.7**	**963.2**
Algeria	18.0	33.3	49.1	49.1	50.8	57.5	61.0	59.0
Bahrain	7.3	12.3	15.7	11.1	12.8	13.7	14.8	14.6
Iran, I.R. of	39.2	73.9	88.2	87.4	94.1	96.1	85.5	86.3
Iraq	...	29.7	48.4	53.6	56.2	66.3	85.6	99.8
Kuwait	17.8	32.5	38.2	32.3	35.0	39.6	43.1	46.8
Libya	10.4	20.0	24.9	27.1	30.8	15.5	38.0	47.8
Oman	9.4	19.4	26.6	21.5	24.4	28.2	31.7	35.3
Qatar	9.2	27.2	35.0	30.1	38.0	47.9	49.4	53.2
Saudi Arabia	67.6	145.3	176.7	162.1	174.2	198.0	217.5	228.7
United Arab Emirates	67.5	166.1	219.7	187.3	203.1	246.8	266.9	279.1
Yemen	4.8	9.4	11.7	10.0	11.0	10.5	13.2	12.6
Oil importers	**112.9**	**209.3**	**272.3**	**243.0**	**255.5**	**261.8**	**276.9**	**287.0**
Afghanistan, Rep. of	...	8.0	9.6	10.2	10.7	11.5	12.5	13.1
Djibouti	0.3	0.6	0.7	0.6	0.5	0.7	0.8	0.8
Egypt	25.0	45.4	63.1	59.9	57.0	61.6	67.3	68.3
Jordan[1]	8.3	15.7	19.2	16.5	18.3	21.3	22.9	23.6
Lebanon	13.3	20.6	28.1	28.4	31.0	33.9	35.3	36.9
Mauritania	1.0	2.1	2.7	2.0	2.6	3.3	3.7	3.5
Morocco	17.5	34.6	46.3	37.2	40.1	49.5	51.2	54.9
Pakistan	18.1	35.3	45.4	39.2	38.1	43.6	48.0	50.2
Sudan	4.3	10.4	10.7	10.6	11.3	10.5	8.9	8.7
Syrian Arab Republic	8.8	15.8	19.9	17.3	21.5	...	...	...
Tunisia	12.4	20.8	26.6	21.1	24.4	25.9	26.3	27.0
CCA	**35.2**	**82.8**	**100.9**	**87.3**	**94.2**	**118.2**	**129.8**	**137.3**
Oil and gas exporters	**29.1**	**67.5**	**80.2**	**71.9**	**76.9**	**96.3**	**105.2**	**111.5**
Azerbaijan	4.8	9.4	11.5	9.9	10.5	15.9	17.7	18.7
Kazakhstan	17.4	45.0	49.6	39.0	44.2	52.1	56.4	60.2
Turkmenistan	3.2	4.9	7.8	11.3	10.9	14.1	15.6	16.2
Uzbekistan	3.8	8.1	11.4	11.7	11.2	14.2	15.4	16.4
Oil and gas importers	**6.1**	**15.3**	**20.7**	**15.4**	**17.2**	**21.9**	**24.5**	**25.8**
Armenia	1.5	3.6	4.7	3.7	4.2	4.8	5.0	5.2
Georgia	2.3	5.9	7.5	5.3	6.1	7.9	9.1	9.4
Kyrgyz Republic	1.1	3.2	4.8	3.7	3.9	5.2	5.9	6.3
Tajikistan	1.2	2.6	3.7	2.7	3.0	4.0	4.5	4.9
Memorandum								
MENA	**352.8**	**735.0**	**951.6**	**865.1**	**937.1**	**1,027.1**	**1,123.1**	**1,187.0**
MENA oil importers	**91.1**	**166.0**	**217.3**	**193.6**	**206.7**	**206.8**	**216.5**	**223.7**
Arab countries in transition (excl. Libya)	**68.2**	**125.9**	**166.8**	**144.6**	**150.8**	**168.9**	**181.0**	**186.4**
GCC	**178.8**	**402.8**	**512.0**	**444.4**	**487.5**	**574.3**	**623.3**	**657.7**
Non-GCC oil exporters	**82.9**	**166.2**	**222.4**	**227.1**	**242.9**	**246.0**	**283.3**	**305.5**

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

[1]Excludes re-exports of goods and services.

Table 20. Current Account Balance

(Billions of U.S. dollars)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**117.3**	**264.1**	**341.5**	**43.8**	**179.2**	**392.9**	**357.3**	**325.7**
Oil exporters	**120.2**	**277.3**	**367.6**	**75.7**	**202.1**	**419.2**	**397.6**	**361.8**
Algeria	12.9	30.6	34.5	0.4	12.1	19.7	12.9	13.1
Bahrain	0.8	2.9	2.3	0.6	0.8	3.2	2.6	2.9
Iran, I.R. of	8.5	32.6	22.8	9.5	25.3	60.1	16.5	6.9
Iraq	...	6.9	16.8	–9.3	–2.5	9.5	0.3	9.3
Kuwait	18.2	42.2	60.2	28.3	38.3	70.8	77.0	68.7
Libya	10.4	29.8	37.1	9.4	14.6	0.5	18.6	10.0
Oman	2.7	2.5	5.0	–0.6	5.1	12.2	11.2	8.3
Qatar	7.8	20.2	33.0	10.0	33.9	52.4	54.6	51.1
Saudi Arabia	43.5	93.4	132.3	21.0	66.8	158.5	171.3	155.1
United Arab Emirates	14.8	17.7	24.8	9.1	9.1	33.3	33.6	37.9
Yemen	0.5	–1.5	–1.3	–2.6	–1.4	–1.0	–1.0	–1.7
Oil importers	**–2.9**	**–13.2**	**–26.1**	**–31.9**	**–22.9**	**–26.3**	**–40.3**	**–36.1**
Afghanistan, Rep. of	...	0.5	0.5	0.2	0.6	0.6	0.4	0.1
Djibouti	0.0	–0.2	–0.2	–0.1	–0.1	–0.2	–0.2	–0.2
Egypt	1.3	2.3	0.9	–4.4	–4.3	–6.1	–8.7	–9.0
Jordan	–0.1	–2.9	–2.0	–1.2	–1.9	–3.5	–4.4	–3.3
Lebanon	–2.7	–1.7	–2.8	–3.4	–3.6	–5.5	–6.7	–6.9
Mauritania	–0.3	–0.5	–0.5	–0.3	–0.3	–0.3	–1.0	–0.6
Morocco	1.1	–0.1	–4.6	–4.9	–3.9	–8.0	–7.6	–5.6
Pakistan	0.3	–6.9	–13.9	–9.3	–3.9	0.2	–4.5	–4.0
Sudan	–1.3	–2.7	–1.1	–5.3	–1.4	–0.3	–4.0	–3.1
Syrian Arab Republic	–0.4	–0.1	–0.7	–1.9	–2.0	...	...	...
Tunisia	–0.7	–0.9	–1.7	–1.2	–2.1	–3.4	–3.6	–3.5
CCA	**–0.1**	**3.2**	**23.4**	**0.9**	**14.6**	**31.3**	**24.9**	**20.3**
Oil and gas exporters	**0.5**	**6.4**	**28.8**	**3.8**	**17.5**	**34.4**	**28.8**	**23.8**
Azerbaijan	–0.2	9.0	16.5	10.2	15.0	17.1	14.5	12.6
Kazakhstan	–0.7	–8.3	6.3	–4.1	2.4	14.1	12.4	10.0
Turkmenistan	0.8	4.0	3.6	–3.0	–2.3	0.6	–0.5	–0.6
Uzbekistan	0.6	1.6	2.5	0.7	2.4	2.6	2.4	1.9
Oil and gas importers	**–0.7**	**–3.2**	**–5.4**	**–2.9**	**–2.9**	**–3.1**	**–3.8**	**–3.5**
Armenia	–0.1	–0.6	–1.4	–1.4	–1.4	–1.1	–1.0	–1.0
Georgia	–0.5	–2.0	–2.8	–1.1	–1.2	–1.7	–2.0	–1.9
Kyrgyz Republic	0.0	–0.2	–0.8	–0.1	–0.3	–0.4	–0.8	–0.4
Tajikistan	0.0	–0.3	–0.4	–0.3	0.0	0.0	0.0	–0.1
Memorandum								
MENA	**117.1**	**270.4**	**354.8**	**52.9**	**182.5**	**392.1**	**361.4**	**329.5**
MENA oil importers	**–3.1**	**–6.8**	**–12.8**	**–22.8**	**–19.6**	**–27.2**	**–36.1**	**–32.2**
Arab countries in transition (excl. Libya)	**2.2**	**–3.2**	**–8.7**	**–14.3**	**–13.6**	**–22.0**	**–25.2**	**–23.1**
GCC	**87.9**	**178.9**	**257.6**	**68.3**	**154.0**	**330.4**	**350.3**	**324.1**
Non-GCC oil exporters	**32.3**	**98.4**	**109.9**	**7.4**	**48.1**	**88.8**	**47.3**	**37.7**
West Bank and Gaza[1]	–1.0	–0.4	0.7	–0.8	–0.9	–2.7	–2.1	–1.3

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

[1]West Bank and Gaza is not a member of the IMF.

Table 21. Current Account Balance

(Percent of GDP)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**9.2**	**13.1**	**13.7**	**2.0**	**7.0**	**13.2**	**11.2**	**9.7**
Oil exporters	**13.4**	**18.6**	**19.7**	**4.8**	**11.0**	**18.7**	**16.4**	**14.2**
Algeria	15.5	22.8	20.1	0.3	7.5	10.0	6.2	6.1
Bahrain	6.3	15.7	10.2	2.9	3.6	12.6	9.9	10.5
Iran, I.R. of	5.5	10.6	6.5	2.6	6.0	12.5	3.4	1.3
Iraq	...	11.5	18.8	–13.4	–3.0	8.3	0.3	6.1
Kuwait	28.8	36.8	40.9	26.7	31.9	44.0	44.1	39.2
Libya	23.8	43.8	42.3	14.7	19.8	1.3	21.8	10.3
Oman	10.3	5.9	8.3	–1.2	8.6	16.7	14.0	10.0
Qatar	25.0	25.4	28.7	10.2	26.7	30.2	29.6	26.8
Saudi Arabia	15.6	24.3	27.8	5.6	14.6	26.5	26.1	22.7
United Arab Emirates	9.8	6.9	7.9	3.5	3.2	9.7	9.3	10.1
Yemen	4.7	–7.0	–4.6	–10.2	–4.4	–3.0	–2.7	–4.0
Oil importers	**–0.8**	**–2.5**	**–4.1**	**–4.8**	**–3.1**	**–3.5**	**–5.2**	**–4.4**
Afghanistan, Rep. of	...	5.8	5.1	1.6	3.9	3.3	2.1	0.5
Djibouti	–2.0	–21.4	–24.3	–9.1	–5.8	–12.6	–12.2	–12.5
Egypt	1.6	1.7	0.5	–2.3	–2.0	–2.6	–3.4	–3.3
Jordan	0.2	–17.2	–9.3	–4.9	–7.1	–12.0	–14.1	–9.9
Lebanon	–13.8	–6.8	–9.2	–9.8	–9.6	–14.0	–16.2	–15.6
Mauritania	–16.3	–17.2	–14.8	–10.7	–8.7	–7.5	–23.6	–13.9
Morocco	2.2	–0.1	–5.2	–5.4	–4.3	–8.0	–7.9	–5.4
Pakistan	0.8	–4.8	–8.5	–5.7	–2.2	0.1	–2.0	–1.7
Sudan	–5.7	–5.9	–2.0	–10.0	–2.1	–0.5	–7.8	–6.6
Syrian Arab Republic	–1.8	–0.2	–1.3	–3.6	–3.3	...	...	...
Tunisia	–2.8	–2.4	–3.8	–2.8	–4.8	–7.3	–7.9	–7.7
CCA	**–0.9**	**1.5**	**8.8**	**0.4**	**5.0**	**8.7**	**6.3**	**4.6**
Oil and gas exporters	**–0.1**	**3.5**	**12.4**	**1.8**	**6.7**	**10.6**	**8.1**	**6.0**
Azerbaijan	–7.9	27.3	35.5	23.0	28.4	26.5	20.4	16.1
Kazakhstan	–1.6	–8.1	4.7	–3.6	1.6	7.6	6.2	4.5
Turkmenistan	5.8	15.5	16.5	–14.7	–10.6	2.0	–1.5	–1.6
Uzbekistan	4.5	7.3	8.7	2.2	6.2	5.8	4.7	3.3
Oil and gas importers	**–5.7**	**–11.7**	**–15.5**	**–10.1**	**–9.2**	**–8.5**	**–9.7**	**–8.2**
Armenia	–5.8	–6.4	–11.8	–15.8	–14.7	–10.9	–9.8	–9.3
Georgia	–9.1	–19.7	–21.9	–10.6	–10.3	–11.8	–12.6	–11.2
Kyrgyz Republic	–0.5	–6.2	–15.5	–2.5	–6.4	–6.3	–12.8	–6.2
Tajikistan	–2.8	–8.6	–7.6	–5.9	–0.3	0.6	–0.4	–1.5
Memorandum								
MENA	**10.0**	**14.5**	**15.3**	**2.6**	**7.7**	**14.2**	**12.2**	**10.6**
MENA oil importers	**–1.3**	**–1.8**	**–2.8**	**–4.6**	**–3.6**	**–5.2**	**–6.9**	**–5.8**
Arab countries in transition (excl. Libya)	**1.1**	**–1.1**	**–2.5**	**–3.9**	**–3.3**	**–4.9**	**–5.4**	**–4.6**
GCC	**15.4**	**19.9**	**22.7**	**7.5**	**14.4**	**24.1**	**23.6**	**21.1**
Non-GCC oil exporters	**10.0**	**16.6**	**15.1**	**1.1**	**6.2**	**10.3**	**5.0**	**3.7**
West Bank and Gaza[1]	–25.1	–7.5	10.9	–12.0	–10.6	–27.3	–19.7	–11.7

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

[1]West Bank and Gaza is not a member of the IMF.

Table 22. Gross Official Reserves

(Billions of U.S. dollars)

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**301.1**	**848.4**	**1,009.8**	**999.7**	**1,091.5**	**1,207.9**	**1,398.1**	**1,579.6**
Oil exporters	**235.3**	**733.0**	**886.1**	**863.5**	**942.7**	**1,087.5**	**1,293.9**	**1,472.8**
Algeria	37.6	110.2	143.1	148.9	162.2	182.2	196.4	211.4
Bahrain	1.6	4.1	3.8	3.5	4.8	4.2	5.0	5.3
Iran, I.R. of	30.8	82.9	79.6	78.0	78.9	101.5	89.2	84.6
Iraq	...	31.5	50.2	44.3	50.6	61.1	67.7	73.6
Kuwait	8.5	15.9	16.7	17.7	18.7	23.0	26.2	28.5
Libya	26.9	79.5	91.9	100.3	102.2	107.6	121.4	125.4
Oman	3.5	9.5	11.4	12.2	13.1	13.7	15.1	16.6
Qatar	2.9	9.8	9.8	18.8	31.1	16.7	28.7	32.0
Saudi Arabia[1]	95.0	304.9	441.3	408.1	443.2	536.2	699.3	848.2
United Arab Emirates[2]	18.1	77.9	30.9	25.5	32.8	37.2	40.8	43.6
Yemen	4.6	7.0	7.3	6.2	5.1	4.0	4.1	3.6
Oil importers	**65.8**	**115.4**	**123.7**	**136.1**	**148.8**	**120.4**	**104.2**	**106.8**
Afghanistan, Rep of	...	2.8	3.5	4.2	5.4	6.2	6.9	7.3
Djibouti	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3
Egypt	16.5	28.6	34.6	31.3	35.2	26.6	15.6	17.1
Jordan	4.2	6.9	7.7	11.1	12.4	10.7	7.4	7.5
Lebanon[3]	8.0	11.5	18.8	27.4	30.0	31.9	34.7	37.4
Mauritania	0.1	0.2	0.2	0.2	0.3	0.5	0.5	0.5
Morocco	13.1	24.7	22.8	23.6	23.6	20.6	18.4	18.8
Pakistan	6.8	14.3	8.6	9.1	13.0	14.8	10.8	8.0
Sudan	0.7	1.4	1.4	0.9	0.8	1.3	1.9	1.9
Syrian Arab Republic	12.0	17.0	17.1	17.5	18.2	...	...	...
Tunisia	3.5	7.9	9.0	10.6	9.5	7.5	7.8	7.8
CCA	**11.5**	**33.7**	**40.1**	**46.7**	**55.9**	**65.4**	**70.9**	**73.3**
Oil and gas exporters	**10.1**	**29.4**	**35.9**	**40.7**	**49.6**	**58.3**	**63.9**	**66.3**
Azerbaijan	1.1	4.3	6.5	5.4	6.7	10.9	13.1	13.6
Kazakhstan	6.9	17.6	19.9	23.1	28.3	29.4	30.6	30.6
Turkmenistan	...	...	...	...	...	...	...	...
Uzbekistan	2.2	7.5	9.5	12.2	14.6	18.0	20.2	22.1
Oil and gas importers	**1.4**	**4.3**	**4.3**	**6.0**	**6.3**	**7.1**	**7.1**	**7.0**
Armenia	0.6	1.7	1.4	2.0	1.9	1.9	1.7	1.6
Georgia	0.3	1.4	1.5	2.1	2.3	2.8	2.8	2.5
Kyrgyz Republic	0.5	1.2	1.2	1.6	1.7	1.8	1.9	2.1
Tajikistan	0.1	0.1	0.2	0.3	0.5	0.6	0.7	0.8
Memorandum								
MENA	**293.5**	**831.4**	**997.8**	**986.3**	**1,073.1**	**1,186.9**	**1,380.4**	**1,564.2**
MENA oil importers	**58.1**	**98.3**	**111.7**	**122.8**	**130.4**	**99.4**	**86.5**	**91.4**
Arab countries in transition (excl. Libya)	**41.9**	**75.1**	**81.4**	**82.8**	**85.9**	**69.4**	**53.3**	**54.8**
GCC	**129.7**	**422.1**	**514.0**	**485.8**	**543.7**	**631.1**	**815.1**	**974.2**
Non-GCC oil exporters	**105.7**	**311.0**	**372.1**	**377.8**	**399.0**	**456.4**	**478.7**	**498.6**

Sources: National authorities; and IMF staff estimates and projections.
[1]Saudi Arabia Monetary Agency gross foreign assets.
[2]Central bank only. Excludes overseas assets of sovereign wealth funds.
[3]Excludes gold and encumbered assets.

Table 23. Total Gross External Debt

(Percent of GDP)[1]

	Average						Projections	
	2000–06	2007	2008	2009	2010	2011	2012	2013
MENAP	**33.0**	**34.3**	**29.4**	**33.8**	**31.1**	**27.9**	**26.8**	**24.5**
Oil exporters	**22.7**	**32.5**	**27.5**	**33.0**	**29.7**	**25.4**	**24.3**	**21.1**
Algeria	29.8	4.3	3.4	4.1	3.5	2.2	1.9	1.9
Bahrain	48.8	139.3	151.5	169.9	164.8	139.9	140.9	141.1
Iran, I.R. of	10.4	9.2	5.8	5.9	5.4	3.7	3.0	2.5
Iraq	...	166.8	106.6	129.7	105.1	78.5	68.3	19.3
Kuwait	28.4	50.2	41.0	42.9	26.0	17.5	16.3	16.4
Libya	16.4	8.2	6.4	8.8	7.6	15.6	6.5	5.7
Oman	22.1	16.5	14.7	17.5	11.8	11.4	10.4	10.0
Qatar	57.5	52.6	49.6	82.0	85.6	77.0	84.1	83.1
Saudi Arabia	11.1	19.7	17.5	23.8	20.6	15.1	13.9	13.5
United Arab Emirates	20.1	50.5	43.2	50.4	49.5	43.4	41.6	40.7
Yemen	41.3	26.9	21.9	24.0	19.8	18.0	17.8	16.5
Oil importers	**55.5**	**39.3**	**35.0**	**35.8**	**34.8**	**35.2**	**34.7**	**35.3**
Afghanistan, Rep. of	...	23.0	19.7	9.4	8.2	6.6	6.7	6.6
Djibouti	58.8	63.6	60.2	59.8	56.1	52.3	51.1	53.2
Egypt	31.8	22.9	21.3	16.8	15.5	14.8	13.8	16.4
Jordan[2]	69.5	43.3	23.4	22.9	24.5	20.1	17.3	14.9
Lebanon	161.8	190.1	167.4	168.6	167.2	173.8	172.3	170.9
Mauritania	199.3	95.7	82.4	106.7	93.9	89.5	84.6	88.3
Morocco	34.4	23.7	20.6	23.3	24.7	23.6	25.4	24.9
Pakistan	41.2	28.2	28.2	32.3	32.5	29.4	25.9	24.9
Sudan	128.0	67.7	60.2	66.0	60.9	64.8	84.8	96.2
Syrian Arab Republic	83.2	20.6	15.6	15.4	14.9	...	...	...
Tunisia[3]	59.2	51.8	45.9	49.4	48.3	47.9	52.3	55.1
CCA	**52.5**	**54.7**	**48.9**	**57.6**	**51.4**	**44.3**	**44.1**	**42.0**
Oil and gas exporters	**50.9**	**56.3**	**49.8**	**57.1**	**49.7**	**42.1**	**42.0**	**40.0**
Azerbaijan[4]	17.1	7.7	6.5	7.7	7.4	7.3	8.4	8.3
Kazakhstan	75.6	93.9	79.8	97.9	79.9	66.5	66.1	63.4
Turkmenistan	17.2	2.4	2.8	2.4	10.6	7.3	14.4	13.3
Uzbekistan	34.9	16.7	13.1	15.0	14.8	13.3	12.8	12.3
Oil and gas importers	**60.9**	**44.3**	**43.4**	**61.5**	**65.8**	**63.6**	**62.7**	**59.8**
Armenia[4]	44.9	31.6	29.5	56.4	65.6	70.7	67.7	63.3
Georgia	45.8	38.6	44.2	58.7	62.7	58.5	59.1	56.0
Kyrgyz Republic	102.9	93.5	70.0	87.9	91.4	80.8	81.9	75.3
Tajikistan	83.4	40.9	46.3	51.7	50.5	48.1	46.8	49.4
Memorandum								
MENA	**32.1**	**34.8**	**29.5**	**34.1**	**31.2**	**27.9**	**27.0**	**24.6**
MENA oil importers	**60.4**	**43.9**	**37.7**	**37.6**	**36.3**	**38.6**	**39.5**	**40.8**
Arab countries in transition (excl. Libya)	**38.6**	**28.6**	**24.5**	**23.1**	**21.9**	**20.8**	**20.5**	**21.6**
GCC	**19.4**	**37.7**	**33.4**	**42.7**	**39.0**	**32.4**	**31.7**	**31.3**
Non-GCC oil exporters	**28.1**	**24.5**	**18.4**	**19.5**	**16.7**	**14.3**	**12.7**	**5.8**

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

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

[2]Excludes nonresidents' deposits held in the banking system.

[3]Includes bank deposits of nonresidents.

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

Table 24. Capital Adequacy Ratios

(Percent of risk-weighted assets)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Mar-12	Jun-12
MENAP								
Oil exporters								
Algeria	15.2	12.9	16.5	26.2	23.6	23.7	...	...
Bahrain	22.0	21.0	18.1	19.6	19.9	...	...	...
Iran, I.R. of [1]	9.1	9.0	8.8	9.6	8.4	...	...	...
Iraq	...	...	...	...	...	...	...	...
Kuwait	20.2	19.3	15.6	16.7	18.9	18.5	...	...
Libya	11.6	11.8	12.2	14.5	17.3	...	...	...
Oman	17.2	15.8	14.7	15.5	15.8	15.9	...	15.4
Qatar	14.3	13.5	15.5	16.1	16.1	20.6	...	21.1
Saudi Arabia	21.9	20.6	16.0	16.5	17.1	17.4	...	...
United Arab Emirates[2]	16.6	14.4	13.0	19.9	20.7	21.2	21.2	...
Yemen[3]	12.0	8.7	14.6	14.6[4]	20.2	...	...	...
Oil importers								
Afghanistan, Rep. of	...	...	...	...	...	...	...	...
Djibouti	17.4	14.1	8.9	11.0	12.2	9.4	...	...
Egypt	14.7	14.8	14.7	15.1	16.1	15.6	15.5	...
Jordan	21.4	20.8	18.4	19.6	20.3	19.3	...	...
Lebanon[5,6]	25.0	12.5	12.2	13.7	13.4	11.8	...	...
Mauritania	...	27.3	33.0	38.2	34.0	35.3	...	...
Morocco	12.3	10.6	11.2	11.8	12.3	11.7	...	...
Pakistan	12.7	12.3	12.2	14.0	14.0	14.6	14.7	...
Sudan	19.7	22.0	10.5	7.1	10.0	13.0	11.0	9.5
Syrian Arab Republic	7.0	6.5	6.5	6.3	6.5	...	...	...
Tunisia	11.8	11.6	11.7	12.2	11.6	11.5	...	...
CCA								
Armenia	34.9	30.1	27.5	28.3	22.2	18.3	17.8	16.8
Azerbaijan	18.7	19.9	19.6	17.7	16.9	14.7	15.4	14.2
Georgia	36.0	30.0	24.0	25.6	23.6	25.6	27.0	25.9
Kazakhstan	15.0	14.2	14.9	–8.2	17.9	17.4	18.2	4.3
Kyrgyz Republic	28.5	31.0	32.6	33.5	30.4	30.3	29.7	27.3
Tajikistan	27.8	19.4	24.2	25.4	24.5	21.3	22.1	24.3
Turkmenistan	25.3	15.9	30.9	16.5	17.2	...	...	...
Uzbekistan	23.6	23.8	23.2	23.4	23.4	24.2	24.3	...

Source: National authorities.

[1]December data refer to March data of the following year.

[2]National banks only.

[3]Data refer to all banks except the Housing Bank and CAC Bank. 2006 includes CAC Bank data.

[4]Audited financial statements.

[5]From 2007 onward, based on revised risk weights (Basel II).

[6]2011 data are as of June 2011.

Table 25. Return on Assets

(Percent)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Mar-12	Jun-12
MENAP								
Oil exporters								
Algeria	0.9	1.1	1.2	1.8	2.1	2.1	...	...
Bahrain	2.1	1.2	1.3	1.2	1.1	...	...	...
Iran, I.R. of	...	...	...	...	...	...	...	...
Iraq	...	...	...	...	...	...	...	...
Kuwait	2.7	3.3	0.8	0.7	1.2	1.1	...	...
Libya	0.5	0.5	0.6	1.3	1.0	...	...	...
Oman	2.3	2.1	1.7	2.1	1.6	1.7	...	1.9
Qatar	3.7	3.6	2.9	2.6	2.6	2.7	...	2.5
Saudi Arabia	4.0	2.8	2.3	2.0	1.8	2.0	...	...
United Arab Emirates[1]	2.3	2.0	1.4	1.4	1.3	1.5	1.6	...
Yemen	1.2	1.6	1.0	0.9	1.3	...	...	...
Oil importers								
Afghanistan, Rep. of	...	...	...	1.2	...	...	...	...
Djibouti	1.8	1.8	1.7	1.8	1.1	1.0	...	...
Egypt	0.8	0.9	0.8	0.8	0.8	1.0	0.8	...
Jordan	1.7	1.6	1.4	1.1	1.1	1.1	...	...
Lebanon[2]	0.9	1.0	1.1	1.1	1.2	1.1	...	...
Mauritania	...	0.5	1.9	1.4	0.4	1.2	...	...
Morocco	1.3	1.5	1.2	1.2	1.2	1.1	...	...
Pakistan	3.1	2.2	1.2	1.3	1.7	2.2	2.5	...
Sudan	3.6	3.7	3.0	3.8	3.9	4.2	1.1	2.9
Syrian Arab Republic	2.0	2.4	1.8	1.9	1.0	...	...	...
Tunisia	0.7	0.9	1.0	1.0	0.9	0.7	...	...
CCA								
Armenia	3.6	2.9	3.1	0.7	2.2	1.9	1.5	1.5
Azerbaijan	1.3	1.9	1.8	2.2	0.9	–1.1	1.0	0.1
Georgia[3]	2.8	1.9	–2.6	–0.8	1.7	2.9	...	0.5
Kazakhstan	...	2.3	0.3	–24.1	12.0	...	...	...
Kyrgyz Republic	3.4	4.4	3.8	2.5	1.1	3.0	2.7	2.7
Tajikistan	3.8	2.7	2.0	0.8	0.8	0.4	1.6	1.5
Turkmenistan	5.4	4.1	4.3	3.6	3.6	...	...	...
Uzbekistan	0.8	1.3	1.4	1.5	1.2	1.9	1.9	...

Source: National authorities.
[1]National banks only.
[2]After tax.
[3]After tax, cumulative and annualized.

Table 26. Nonperforming Loans

(Percent of total loans)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Mar-12	Jun-12
MENAP								
Oil exporters								
Algeria	34.2	35.5	28.2	21.1	18.3	14.4	...	...
Bahrain	4.8	6.0	2.3	3.9	4.3	...	...	...
Iran, I.R. of[1]	15.7	16.9	19.1	18.1	13.7	...	...	...
Iraq	...	...	...	...	...	...	...	...
Kuwait	4.6	3.8	6.8	11.5	8.9	7.3	...	...
Libya	26.1	26.2	22.5	17.0	17.2	...	...	...
Oman	4.6	3.2	2.1	2.7	2.9	2.4	...	2.5
Qatar	2.2	1.5	1.2	1.7	2.0	1.7	...	1.8
Saudi Arabia	2.0	2.1	1.4	3.3	3.0	2.3	...	...
United Arab Emirates[2]	6.3	2.9	2.3	4.3	5.6	6.2	7.6	...
Yemen[3]	23.0	19.5	18.0[4]	13.9	17.7	...	...	...
Oil importers								
Afghanistan, Rep. of	...	0.7	1.2	0.7	...	...	...	...
Djibouti	15.6	16.0	12.4	9.3	8.3	9.4	...	...
Egypt[5]	18.2	19.3	14.8	13.4	11.0	10.9	10.7	...
Jordan	4.3	4.1	4.2	6.7	8.2	8.5	...	...
Lebanon	13.5	10.1	7.5	6.0	4.3	3.7	3.8	...
Mauritania[6]	...	32.4	...	...	45.3	39.2	...	...
Morocco	10.5	7.6	5.7	5.3	4.7	4.8	4.9	4.8
Pakistan	6.9	7.6	10.5	12.6	14.7	16.2	15.8	...
Sudan	19.4	26.0	22.4	20.5	14.4	12.6	14.1	14.8
Syrian Arab Republic	4.7	5.3	5.1	4.8	...	...	...	...
Tunisia	19.3	17.6	15.5	13.2	13.0	13.0	...	...
CCA								
Armenia	2.5	2.4	4.4	4.8	3.1	3.4	4.9	4.1
Azerbaijan	6.6	3.0	3.3	3.5	4.7	6.0	6.5	6.6
Georgia	0.8	0.8	4.1	6.3	5.4	4.6	4.0	4.1
Kazakhstan[7]	...	...	5.2	21.2	23.8	30.8	31.9	30.9
Kyrgyz Republic	6.2	5.3	5.3	8.2	15.8	10.2	9.9	9.0
Tajikistan[8]	4.1	2.8	5.4	10.4	7.5	7.2	7.7	9.9
Turkmenistan	0.6	0.4	0.1	0.1	0.1	...	...	...
Uzbekistan	...	2.6	3.0	1.2	1.0	0.7	0.7	...

Source: National authorities.

[1]December data refer to March data of the following year.

[2]National banks only.

[3]Data refer to all banks except the Housing Bank and CAC Bank. 2006 includes CAC Bank data.

[4]Audited financial statements.

[5]Provisioning to nonperforming loans surpassed 100 percent as of Dec. 2009 and data refer to end of fiscal year.

[6]Provisioning to nonperforming loans stood at 89 percent in June 2011.

[7]90-day basis.

[8]Overdue by 30 days or more.

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