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**Middle East  
and Central Asia**

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## Assumptions and Conventions

A number of assumptions have been adopted for the projections presented in the *Regional Economic Outlook: Middle East and Central Asia*. It has been assumed that established policies of national authorities will be maintained; that the price of oil<sup>1</sup> will average US\$103.20 a barrel in 2011 and US\$100.00 in 2012; and that the six-month London interbank offered rate (LIBOR) on U.S.-dollar deposits will average 0.4 percent in 2011 and 0.5 percent in 2012. These are, of course, working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would in any event be involved in the projections. The 2011 and 2012 data in the figures and tables are projections. These projections are based on statistical information available through early September 2011.

The following conventions are used in this publication:

- In tables, ellipsis points (. . .) indicate “not available,” and 0 or 0.0 indicates “zero” or “negligible.” Minor discrepancies between sums of constituent figures and totals are due to rounding.
- An en dash (–) between years or months (for example, 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  $\frac{1}{4}$  of 1 percentage point).

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

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



## Country and Regional Groupings

The October 2011 *Regional Economic Outlook: Middle East and Central Asia* (REO), covering countries in the Middle East and Central Asia Department (MCD) of the International Monetary Fund (IMF), provides a broad overview of recent economic developments in 2011 and prospects and policy issues for 2012. To facilitate the analysis, the 30 MCD countries covered in this report are divided into two groups: (1) countries of the Middle East, North Africa, Afghanistan, and Pakistan (MENAP)—which are further subdivided into oil exporters and oil importers; and (2) countries of the Caucasus and Central Asia (CCA). The country acronyms used in some figures are included in parentheses.

**MENAP oil exporters**<sup>1</sup> comprise Algeria (ALG), Bahrain (BHR), Iran (IRN), Iraq (IRQ), Kuwait (KWT), Libya (LBY), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), Sudan (SDN), the United Arab Emirates (UAE), and Yemen (YMN).

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

**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, 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.

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

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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<sup>1</sup> Because of the uncertain economic situation, Libya is excluded from the projection years of REO aggregates. For Sudan, projections for 2011 and 2012 exclude South Sudan.



# World Economic Outlook<sup>1</sup>

The global economy is in a dangerous new phase. Global activity has weakened and become more uneven, confidence has fallen sharply recently, and downside risks are growing. Global growth is projected to moderate to about 4 percent through 2012 from over 5 percent in 2010. Real GDP in advanced economies, and emerging and developing economies, is expected to expand by about 2 percent and 6 percent, respectively (see table).

The slowdown reflects both anticipated and unanticipated developments. The strong cyclical rebound in global industrial production and trade in 2010 was never expected to persist. However, in crisis-hit advanced economies, especially the United States, the handover from public to private demand is taking more time than anticipated. In addition, sovereign debt and banking sector problems in the euro area have proven much more tenacious than expected. Furthermore, disruptions resulting from the Tohoku earthquake and tsunami in Japan, as well as the spreading unrest in the Middle East and North Africa (MENA) and the related surge in oil prices, were major surprises.

Emerging and developing economies performed broadly as forecast, with considerable variation across regions. Activity began to rebound fairly strongly in the crisis-hit economies of central and eastern Europe and the Commonwealth of Independent States, in the latter helped by buoyant commodity prices. Surging commodity prices also propelled Latin America to high growth rates. Activity in developing Asia weakened modestly in response to global supply chain disruptions and destocking in the face of more uncertain demand from advanced economies. Sub-Saharan Africa continued to expand at a robust pace. By contrast, economic activity in the MENA region suffered from political and social conflict, although strong revenues boosted the economies of oil exporters.

Risks are clearly to the downside, with two warranting particular attention: that the crisis in the euro area may run beyond policymakers' control and that activity in the United States, already softening, might suffer further blows. The uneven nature of the expansion and the many risks that threaten activity are symptomatic of a global economy that continues to struggle to accomplish the two rebalancing acts identified in earlier issues of the *World Economic Outlook*. First, private demand must take over from public demand. On this front, many economies have made considerable progress, but the major advanced economies lag behind. Second, economies with large external surpluses must rely increasingly on domestic demand, whereas those with large deficits must do the opposite. Key advanced and emerging economies need to strengthen their policies to advance rebalancing and hedge against the many downside risks.

Adopting growth-friendly medium-term fiscal consolidation programs in advanced economies, policies to rebalance demand in emerging market surplus economies, and structural reforms to boost potential growth everywhere could provide a considerable fillip to global GDP. To ensure that trade remains supportive of the global recovery, policymakers must continue to resist protectionist pressure. Achieving this will require that policymakers tackle difficult political economy challenges at home and resuscitate the strong collaborative spirit that prevailed at the height of the global financial crisis.

## Overview of the *World Economic Outlook* Projections (Percent change)

	Year over Year		
	2010	Projections	
		2011	2012
<b>World output</b>	<b>5.1</b>	<b>4.0</b>	<b>4.0</b>
Advanced economies	3.1	1.6	1.9
<i>Of which:</i> United States	3.0	1.5	1.8
European Union	1.8	1.7	1.4
Emerging and developing economies	7.3	6.4	6.1
<i>Of which:</i> MENAP	4.4	3.9	3.7
CCA	6.7	5.6	6.2
Commonwealth of Independent States	4.6	4.6	4.4
<i>Of which:</i> Russia	4.0	4.3	4.1
<b>World trade volume (goods and services)</b>	<b>12.8</b>	<b>7.5</b>	<b>5.8</b>
<b>Commodity prices</b>			
Oil <sup>1</sup>	27.9	30.6	-3.1
Nonfuel <sup>2</sup>	26.3	21.2	-4.7

Sources: IMF, *World Economic Outlook* and *Regional Economic Outlook*.

<sup>1</sup>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 \$79.03 in 2010; the assumed price based on future markets is \$103.20 in 2011 and \$100.00 in 2012.

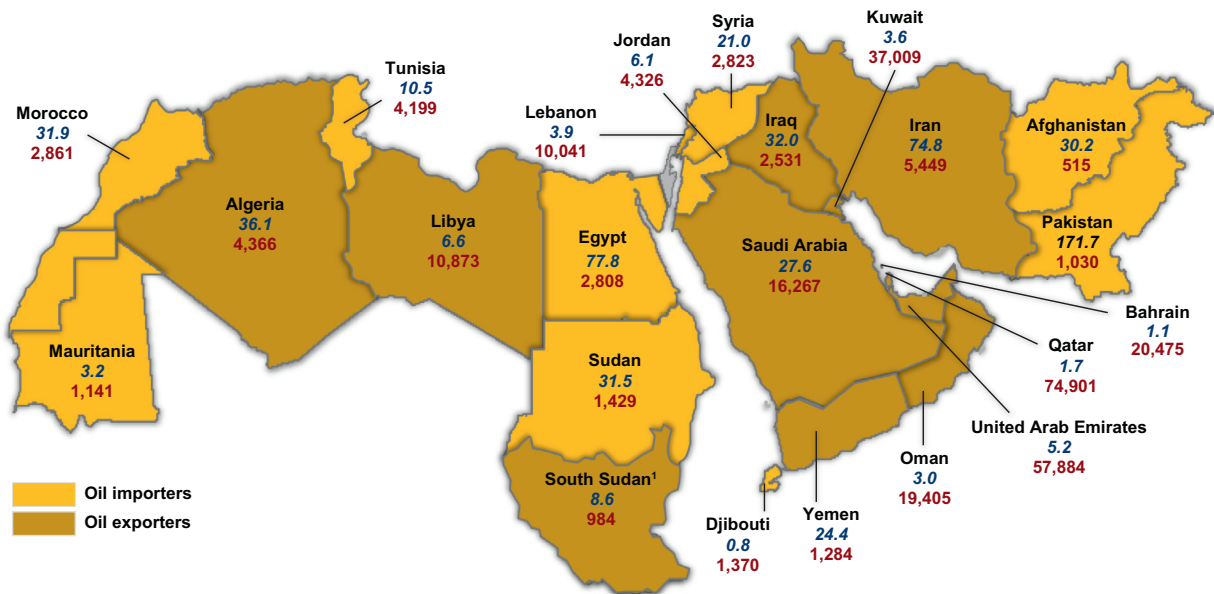
<sup>2</sup>Average (measured in U.S. dollars) based on world commodity export weights.

<sup>1</sup> See IMF, *World Economic Outlook* and *Global Financial Stability Report* (both September 2011) for more information.



# Middle East, North Africa, Afghanistan, and Pakistan

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



Sources: IMF Regional Economic Outlook database; and Microsoft Map Land.

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

<sup>1</sup>South Sudan became an independent state in July 2011; data for 2010 are estimates of population and GNI per capita.



## MENAP Highlights

The current period of unprecedented change holds the promise of improved living standards and a more prosperous future for the peoples of the Middle East and North Africa region. Although the long-term benefits of the Arab Spring are indisputable, since the beginning of this year, the region has witnessed unparalleled uncertainty and economic pressures, from both domestic and external sources. The recent worsening of the global economy will likely add to these pressures.

To build confidence, anchor expectations, and reap the longer-term benefits of the ongoing historical transformation, countries will need to take decisive action in formulating a broad reform agenda—aimed at fostering inclusive growth—while maintaining macroeconomic stability. Moreover, across the region, additional spending measures should be designed in a way that maximizes their short-term benefits while limiting their long-term liabilities. The benefits of some fiscal support measures (such as generalized subsidy schemes) do not necessarily go to those with the greatest need. Governments should therefore move quickly to better target subsidies and transfers, which will also help free resources for investment in infrastructure, education, and health.

### Oil Exporters: Benefiting from High Oil Prices amid Growing Risks

Economic activity in MENAP oil-exporting countries, along with their fiscal and external situations, has clearly improved, underpinned by continued high energy prices. Real GDP growth is expected to pick up in 2011—to almost 5 percent—then moderate to about 4 percent in 2012. For the GCC, growth is projected at more than 7 percent in 2011. Several countries (Saudi Arabia in particular) have stepped up production temporarily in response to higher oil prices and shortfalls in production from Libya. The additional fiscal space is being used by many countries to ratchet up spending and provide continued support to the non-oil sector, which is projected to grow at 4½ percent in 2011–12. In 2011, the oil exporters' combined external current account surplus is expected to increase from US\$202 billion to US\$334 billion (excluding Libya), and from US\$163 billion to US\$279 billion for the GCC.

At the same time, palpable downside risks cloud the outlook, most notably a possible sharp downturn in global activity resulting from advanced economies' difficulties in effectively addressing their debt and fiscal challenges. If these risks materialize and global growth deteriorates sharply, activity in MENAP oil exporters would be adversely affected, most likely through a fall in international energy prices. A downturn in key emerging market trading partners, and further political unrest in the region, could also dampen growth prospects for MENAP oil exporters.

Fiscal vulnerability has increased as a consequence of the substantial spending packages that have been implemented over the past three years. In particular, fiscal break-even oil prices—the price levels that ensure that fiscal accounts are in balance at the given level of spending—have been trending upward in most countries and are gradually approaching the actual spot market oil price. In addition, heightened sovereign risk premiums could raise borrowing costs for some MENAP oil exporters.

The current supportive fiscal and monetary stances remain appropriate as long as inflationary pressures or other signs of overheating do not emerge, which is the case in most of the region's oil exporters. Looking ahead, reforms to ensure inclusive growth should be pursued to improve the business environment and governance, and to provide labor force entrants with skills required by employers and with incentives to participate in the formal economy. Improvements in bank governance, along with efforts to develop domestic debt markets, should help to increase the depth, quality, and inclusiveness of financial intermediation.

## Oil Importers: Meeting Social Needs, Restoring Economic Confidence

The political and economic transformations in several of the region's oil-importing countries are advancing slowly and are expected to extend well into 2012. Moreover, global activity and confidence have weakened, adding to a marked increase in economic uncertainty in the region. Average real GDP growth for MENAP oil importers is projected to drop from the 4 $\frac{1}{3}$  percent achieved in 2010 to below 2 percent in 2011.

The recovery in 2012 is expected to be weaker than previously anticipated, with growth projected at just over 3 percent.

External and financial conditions have deteriorated. While remittances have largely remained robust, tourism and capital inflows have experienced sizable declines. These, together with higher commodity prices, have led to a weakening in external reserves. Sovereign bond and credit default swap spreads have widened, raising borrowing costs for governments and corporations in international markets. In addition, banking sector balance sheets in some countries are projected to deteriorate.

Fiscal deficits are expected to widen by about 1 $\frac{1}{2}$  percent of GDP in 2011–12, as authorities have maintained a countercyclical fiscal stance. Universal subsidies and transfers, which provide only limited benefits to the poor, have increased sharply as governments attempt to cushion the impact of the downturn and high commodity prices. In some countries, capital expenditures have been cut, hurting future growth. In 2011–12, oil importers' financing needs are estimated to reach about US\$50 billion a year, and in many countries, excessive government financing from domestic banks is squeezing the availability of private-sector credit.

Some of the near-term pressures can be alleviated through external and fiscal financing from regional and international partners. At the same time, macroeconomic stability must be preserved to anchor expectations, and a comprehensive reform agenda implemented that can improve social mobility through better access to economic opportunities. This agenda should include plans to unwind recent tax breaks and expenditure measures and replace untargeted subsidies with targeted social safety nets to free up room for growth-enhancing public investment expenditures. Reforms in a number of areas, including labor markets, education systems, the business environment, and governance, will help leverage the many assets of the region to achieve higher growth rates and employment over the medium and long term.



**MENAP: Selected Economic Indicators, 2000–12***(Percent of GDP, unless otherwise indicated)*

	Average				Projections	
	2000–07	2008	2009	2010	2011	2012
<b>MENAP<sup>1</sup></b>						
Real GDP (annual growth)	5.5	4.5	2.6	4.4	3.9	3.7
Current account balance	9.5	13.4	1.8	7.0	10.4	8.2
Overall fiscal balance	3.5	6.7	-2.9	-0.2	0.4	0.1
Inflation, p.a. (annual growth)	5.9	14.4	7.7	7.4	10.6	8.3
<b>MENAP oil exporters<sup>1</sup></b>						
Real GDP (annual growth)	5.8	4.0	1.8	4.4	4.9	3.9
Current account balance	13.3	18.7	4.1	10.6	15.0	12.4
Overall fiscal balance	7.7	13.0	-1.6	2.9	4.6	3.6
Inflation, p.a. (annual growth)	6.6	14.9	5.9	6.7	11.1	7.7
<b>Of Which: Gulf Cooperation Council</b>						
Real GDP (annual growth)	5.6	6.4	0.3	5.4	7.2	4.0
Current account balance	15.7	22.5	7.1	15.0	20.6	16.9
Overall fiscal balance	11.9	24.7	-0.4	6.1	9.7	8.3
Inflation, p.a. (annual growth)	2.2	11.0	3.0	3.2	4.3	4.2
<b>MENAP oil importers</b>						
Real GDP (annual growth)	4.9	5.5	4.2	4.3	1.9	3.1
Current account balance	-0.7	-4.4	-4.4	-3.3	-3.3	-3.8
Overall fiscal balance	-5.2	-5.4	-5.2	-6.0	-7.6	-6.7
Inflation, p.a. (annual growth)	4.7	13.3	11.1	8.7	9.8	9.6
<i>Memorandum</i>						
<b>MENA<sup>1</sup></b>						
Real GDP (annual growth)	5.5	4.6	2.6	4.4	4.0	3.6
Current account balance	10.3	15.0	2.4	7.7	11.2	9.0
Overall fiscal balance	4.5	8.6	-2.6	0.5	1.2	0.8
Inflation, p.a. (annual growth)	6.0	14.6	6.1	6.9	10.2	7.7
<b>MENA oil importers</b>						
Real GDP (annual growth)	4.7	6.4	4.9	4.5	1.4	2.6
Current account balance	-0.9	-2.9	-3.9	-3.9	-4.8	-4.7
Overall fiscal balance	-6.6	-4.5	-5.3	-6.3	-8.4	-7.5
Inflation, p.a. (annual growth)	4.2	13.5	7.0	7.5	7.7	7.6

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

<sup>1</sup>2011 and 2012 data exclude Libya.

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

MENA: MENAP excluding Afghanistan and Pakistan.

## الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان: مؤشرات اقتصادية مختارة، ٢٠١٢-٢٠٠٠

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

توقعات						متوسط	
٢٠١٢	٢٠١١	٢٠١٠	٢٠٠٩	٢٠٠٨	-٢٠٠٠	٢٠٠٧	
<b>منطقة الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان<sup>١</sup></b>							
٣,٧	٣,٩	٤,٤	٢,٦	٤,٥	٥,٥		إجمالي الناتج المحلي الحقيقي (النمو السنوي)
٨,٢	١٠,٤	٧,٠	١,٨	١٣,٤	٩,٥		رصيد الحساب الجاري
٠,١	٠,٤	٠,٢-	٢,٩-	٦,٧	٣,٥		رصيد المالية العامة الكلي
٨,٣	١٠,٦	٧,٤	٧,٧	١٤,٤	٥,٩		التضخم، متوسط سنوي (النمو السنوي)
<b>البلدان المصدرة للنفط في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان<sup>١</sup></b>							
٣,٩	٤,٩	٤,٤	١,٨	٤,٠	٥,٨		إجمالي الناتج المحلي الحقيقي (النمو السنوي)
١٢,٤	١٥,٠	١٠,٦	٤,١	١٨,٧	١٣,٣		رصيد الحساب الجاري
٣,٦	٤,٦	٢,٩	١,٦-	١٣,٠	٧,٧		رصيد المالية العامة الكلي
٧,٧	١١,١	٦,٧	٥,٩	١٤,٩	٦,٦		التضخم، متوسط سنوي (النمو السنوي)
<b>منها: دول مجلس التعاون الخليجي</b>							
٤,٠	٧,٢	٥,٤	٠,٣	٦,٤	٥,٦		إجمالي الناتج المحلي الحقيقي (النمو السنوي)
١٦,٩	٢٠,٦	١٥,٠	٧,١	٢٢,٥	١٥,٧		رصيد الحساب الجاري
٨,٣	٩,٧	٦,١	٠,٤-	٢٤,٧	١١,٩		رصيد المالية العامة الكلي
٤,٢	٤,٣	٣,٢	٣,٠	١١,٠	٢,٢		التضخم، متوسط سنوي (النمو السنوي)
<b>البلدان المستوردة للنفط في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان</b>							
٣,١	١,٩	٤,٣	٤,٢	٥,٥	٤,٩		إجمالي الناتج المحلي الحقيقي (النمو السنوي)
٣,٨-	٣,٣-	٣,٣-	٤,٤-	٤,٤-	٠,٧-		رصيد الحساب الجاري
٦,٧-	٧,٦-	٦,٠-	٥,٢-	٥,٤-	٥,٢-		رصيد المالية العامة الكلي
٩,٦	٩,٨	٨,٧	١١,١	١٣,٣	٤,٧		التضخم، متوسط سنوي (النمو السنوي)
<b>للتذكيرة</b>							
<b>منطقة الشرق الأوسط وشمال إفريقيا<sup>١</sup></b>							
٣,٦	٤,٠	٤,٤	٢,٦	٤,٦	٥,٥		إجمالي الناتج المحلي الحقيقي (النمو السنوي)
٩,٠	١١,٢	٧,٧	٢,٤	١٥,٠	١٠,٣		رصيد الحساب الجاري
٠,٨	١,٢	٠,٥	٢,٦-	٨,٦	٤,٥		رصيد المالية العامة الكلي
٧,٧	١٠,٢	٦,٩	٦,١	١٤,٦	٦,٠		التضخم، متوسط سنوي (النمو السنوي)
<b>البلدان المستوردة للنفط في الشرق الأوسط وشمال إفريقيا</b>							
٢,٦	١,٤	٤,٥	٤,٩	٦,٤	٤,٧		إجمالي الناتج المحلي الحقيقي (النمو السنوي)
٤,٧-	٤,٨-	٣,٩-	٣,٩-	٢,٩-	٠,٩-		رصيد الحساب الجاري
٧,٥-	٨,٤-	٦,٣-	٥,٣-	٤,٥-	٦,٦-		رصيد المالية العامة الكلي
٧,٦	٧,٧	٧,٥	٧,٠	١٣,٥	٤,٢		التضخم، متوسط سنوي (النمو السنوي)

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

<sup>١</sup> بيانات ٢٠١١ و ٢٠١٢ لا تتضمن ليبيا.

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

المتوقع أن تعمل التحسينات في حوكمة البنوك، مع الجهود الرامية إلى تطوير أسواق سندات الدين المحلية، على زيادة عمق الوساطة المالية وتعزيز جودتها وتوسيع نطاقها لتشمل الجميع.

### البلدان المستوردة للنفط: تلبية الاحتياجات الاجتماعية، واستعادة الثقة الاقتصادية

تتواصل التحولات السياسية والاقتصادية بسرعة ونيّدة في العديد من بلدان المنطقة المستوردة للنفط، ومن المتوقع أن تستمر إلى فترة طويلة في عام 2012. وإضافة إلى ذلك، ضعف النشاط العالمي وتراجعت الثقة، مما زاد من عدم اليقين الاقتصادي الملحوظ في المنطقة. ومن المتوقع أن ينخفض متوسط نمو إجمالي الناتج المحلي في بلدان MENAP المستوردة للنفط من 4.33% في عام 2010 إلى أقل من 2% في عام 2011. ومن المتوقع أيضاً أن يزداد ضعف التعافي الاقتصادي في عام 2012 مقارنة بالتوقعات السابقة، إذ يبلغ النمو المتوقع حالياً أكثر بقليل من 3%.

وقد تدهورت الأوضاع الخارجية والمالية مؤخرًا، حيث تعرض النشاط السياحي والتدفقات الرأسمالية الداخلة لانخفاضات كبيرة، وإن ظلت تحويلات العاملين قوية في معظمها. وأدى ذلك، مع ارتفاع أسعار السلع الأولية، إلى تقلص الاحتياطيات الخارجية. واتسعت فروق العائد على السندات السيادية ومبادلات مخاطر الائتمان، مما رفع تكاليف الاقتراض على الحكومات والشركات في الأسواق الدولية. كذلك يتوقع حدوث تدهور في الميزانيات العمومية للقطاعات المصرفية في بعض البلدان.

ومن المتوقع أن يتسع عجز المالية العامة بمقدار 1.5% تقريباً من إجمالي الناتج المحلي في الفترة 2011-2012، نظراً لاحتفاظ السلطات بموقف ماليتها العامة المعاكس للاتجاهات الدورية. وفي سياق الجهود التي تبذلها الحكومات لتخفيف أثر الهبوط الاقتصادي وارتفاع أسعار السلع الأولية، طرأت زيادة حادة على الدعم والتحويلات الشاملة التي لا تقدم للفقراء سوى منافع محدودة. وتم في بعض البلدان تخفيض النفقات الرأسمالية، مما يلحق الضرر بالنمو المستقبلي. وتشير التقديرات إلى أن احتياجات التمويل لدى البلدان المستوردة للنفط سوف تبلغ حوالي 50 مليار دولار سنوياً في الفترة 2011-2012، كما أن التمويل الحكومي المفرط الذي تقدمه البنوك المحلية في كثير من البلدان يتسبب في تقليص الائتمان المتوافر للقطاع الخاص.

ويمكن تخفيف بعض الضغوط على المدى القصير بالحصول على التمويل الخارجي وتمويل المالية العامة من الشركاء الإقليميين والدوليين. وفي نفس الوقت، يجب الحفاظ على استقرار الاقتصاد الكلي لتثبيت التوقعات، وتنفيذ جدول أعمال شامل للإصلاح يعمل على تعزيز الحراك الاجتماعي بتحسين فرص الحصول على الفرص الاقتصادية. وينبغي أن يتضمن جدول الأعمال المذكور خططا لإيقاف العمل بإجراءات تخفيف الضرائب وتدابير الإنفاق التي بدأ تطبيقها مؤخرًا، وإحلال شبكات الأمان الاجتماعي ذات الأهداف الدقيقة محل الدعم الذي لا يوجه إلى المستحقين، بغية إفساح المجال أمام نفقات الاستثمار العام الداعمة للنمو. وستساعد الإصلاحات في عدد من المجالات، مثل أسواق العمل ونظم التعليم ومناخ الأعمال والحوكمة، على الاستفادة من الأصول العديدة التي تتمتع بها المنطقة من أجل زيادة معدلات النمو وتوظيف العمالة على المديين المتوسط والطويل.

## أضواء على أهم الأحداث في الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان

تبشر الفترة الراهنة وما تحمله من تغير غير مسبوق بحدوث تحسن في المستويات المعيشية وتحقيق مستقبل أكثر رخاء لشعوب منطقة الشرق الأوسط وشمال إفريقيا. وبالرغم من أن ثمار الربيع العربي أمر محقق على المدى الطويل، فإن المنطقة تشهد منذ بداية هذا العام حالة فريدة من عدم اليقين والضغوط الاقتصادية الناشئة عن مصادر داخلية وخارجية على السواء. ومن المرجح أن تزداد هذه الضغوط بالنظر إلى تفاقم أوضاع الاقتصاد العالمي مؤخرا.

وحتى تتمكن البلدان من بناء الثقة وتثبيت التوقعات وجني ثمار التحول التاريخي الجاري على المدى الأطول، ينبغي أن تتخذ إجراءات حاسمة لصياغة جدول أعمال زاخر بالإصلاحات - سعيا لتعزيز النمو الشامل لكل المواطنين، مع الحفاظ على الاستقرار الاقتصادي الكلي. فضلا على ذلك، ينبغي صياغة تدابير إضافية للإنفاق عبر بلدان المنطقة بما يؤدي إلى تعظيم النفع الذي تحققه على المدى القصير، مع الحد من الالتزامات على المدى الطويل. ويلاحظ أن هناك تدابير مساندة تقدمها المالية العامة (على غرار نظم الدعم المعمم) لا تصل مزاياها بالضرورة إلى أشد الفئات احتياجا لها. ولذلك ينبغي أن تسارع الحكومات بالتحرك لتحسين دقة توجيه الدعم والتحويلات إلى المستحقين، مما سيساعد على توفير قدر من الموارد يمكن توجيهه إلى الاستثمار في البنية التحتية والتعليم والصحة.

### البلدان المصدرة للنفط: الاستفادة من أسعار النفط المرتفعة في غمار المخاطر المتزايدة

من الواضح أن تحسنا قد طرأ على النشاط الاقتصادي وأوضاع المالية العامة والحسابات الخارجية في بلدان الشرق الأوسط وشمال إفريقيا وأفغانستان وباكستان (MENAP) المصدرة للنفط، مرتكزا على استمرار المستوى المرتفع لأسعار الطاقة. ومن المتوقع حدوث ارتفاع في نمو إجمالي الناتج المحلي الحقيقي في عام 2011 - ليصل إلى 5% تقريبا - ثم يسجل بعض الانخفاض إلى حوالي 4% في عام 2012. وبالنسبة لمجلس التعاون الخليجي، يُتوقع أن يتجاوز النمو 7% في عام 2011. وقد قامت عدة بلدان (ولا سيما المملكة العربية السعودية) بزيادة إنتاجها النفطي مؤقتا لمواجهة ارتفاع أسعار النفط ونقص الإنتاج الليبي. وفي كثير من البلدان، تجري الاستفادة من الحيز المالي الإضافي في إجراء زيادة تدريجية في الإنفاق وتقديم دعم إضافي للقطاع غير النفطي الذي يُتوقع أن ينمو بمعدل 4.5% في الفترة 2011-2012. ومن المتوقع في عام 2011 أن يزداد فائض الحسابات الجارية الخارجية المجمعة للبلدان المصدرة للنفط (باستثناء ليبيا) من 202 مليار دولار إلى 334 مليار دولار، مع زيادته من 163 مليار دولار إلى 279 مليار دولار في حالة مجلس التعاون الخليجي.

وفي نفس الوقت، تخيم على الآفاق مخاطر تطورات سلبية ملموسة، أبرزها احتمال التباطؤ الحاد في النشاط الاقتصادي العالمي بسبب المصاعب التي تمر بها الاقتصادات المتقدمة في سعيها لإيجاد حل فعال لتحديات المديونية والمالية العامة. وإذا تحققت هذه المخاطر وتعرض النمو العالمي لتدهور حاد، يمكن أن يتأثر النشاط في بلدان MENAP المصدرة للنفط تأثرا سلبيا، وهو ما يرجح أن يحدث من خلال هبوط أسعار الطاقة الدولية. ويمكن أيضا أن يزداد ضعف احتمالات النمو في هذه البلدان أيضا إذا ما هبط النشاط الاقتصادي لدى أهم البلدان الشريكة تجاريا في الأسواق الصاعدة، وتفاقمت الاضطرابات السياسية في المنطقة.

وقد زاد ضعف المالية العامة تحت تأثير برامج الإنفاق الكبيرة التي تم تنفيذها على مدار الثلاثة أعوام الماضية. وعلى وجه الخصوص، شهدت معظم البلدان استمرارا في الاتجاه التصاعدي لأسعار النفط المحققة لتعادل المالية العامة - أي مستويات الأسعار التي تضمن توازن حسابات المالية العامة عند مستوى معين من الإنفاق - حتى أنها تقترب بالتدريج من سعر النفط الفعلي في سوق التسليم الفوري. وإضافة إلى ذلك، يمكن أن يتسبب ارتفاع علاوات المخاطر السيادية في زيادة تكاليف الاقتراض بالنسبة لبعض بلدان MENAP المصدرة للنفط.

ويظل من الملائم الاحتفاظ بالموقف المالي والنقدي الداعم المعتمد حاليا، ما لم تظهر ضغوط تضخمية أو غيرها من علامات النشاط الاقتصادي المحموم، وهو الحال في معظم البلدان المصدرة للنفط في المنطقة. وبالنظر إلى الفترة المقبلة، ينبغي إجراء إصلاحات لضمان النمو الشامل للجميع، بما يحسن مناخ الأعمال والحوكمة، ويكفل للداخلين الجدد في سوق العمل اكتساب المهارات التي يتطلبها أصحاب الأعمال ويتيح لهم الحوافز الكافية للمشاركة في الاقتصاد الرسمي. ومن

## MOANAP — Principaux points

La période actuelle de transformation sans précédent porte en germe la promesse d'une amélioration du niveau de vie et d'un avenir plus prospère pour les populations de la région Moyen-Orient et Afrique du Nord. Même si les avantages à long terme du Printemps arabe sont indiscutables, la région a été en butte depuis le début de l'année à des incertitudes et des tensions économiques sans égales, de sources tant internes qu'externes. La récente dégradation de la conjoncture économique mondiale va sans doute accentuer ces tensions.

Pour bâtir la confiance, ancrer les attentes et, à long terme, cueillir les fruits de la transformation historique en cours, les pays devront s'appliquer à définir avec détermination un vaste programme de réformes — visant à promouvoir une croissance solidaire — tout en maintenant la stabilité macroéconomique. Par ailleurs, il faudra, dans l'ensemble de la région, calibrer les programmes de dépenses additionnelles de manière à en maximiser les effets bénéfiques à court terme, tout en limitant les engagements à long terme. Certaines des mesures de soutien budgétaire (telles que les subventions généralisées) ne profitent pas forcément à ceux qui en ont les besoins les plus pressants. Il importe donc que les gouvernements s'emploient rapidement à mieux cibler les subventions et les transferts sociaux, ce qui aura pour avantage supplémentaire de débloquer des ressources pour les investissements dans les infrastructures, l'éducation et la santé.

### Pays exportateurs de pétrole: tirer parti de la hausse des cours, sur fond de risques grandissants

L'activité économique, de même que la situation budgétaire et extérieure des pays exportateurs de pétrole de la région MOANAP s'est nettement améliorée, soutenue par la hausse continue des cours des produits énergétiques. D'après les prévisions, le rythme de progression de leur PIB réel augmenterait en 2011 — passant à près de 5 pour cent — puis se modérerait aux environs de 4 pour cent en 2012. Pour le Conseil de Coopération du Golfe (CCG), les projections tablent sur un taux de plus de 7 pour cent en 2011. Plusieurs pays (l'Arabie Saoudite en particulier) ont temporairement accru leur production en réaction à la hausse des cours et aux déficits de production de la Libye. Nombre de pays se servent de leur marge de manœuvre supplémentaire pour accroître les dépenses et continuer à soutenir le secteur non pétrolier, dont le taux de croissance se chiffrerait, d'après les estimations, à 4,5 pour cent en 2011–12. En 2011, l'excédent extérieur courant total des pays exportateurs de pétrole devrait passer de 202 à 334 milliards de dollars EU (Libye non comprise) et celui du CCG de 163 à 279 milliards de dollars EU.

Parallèlement, des risques baissiers tangibles semblent perturber les perspectives d'avenir, tout particulièrement l'éventualité d'un net ralentissement de l'activité économique mondiale, résultant du fait que les pays avancés peinent à trouver une solution efficace au double problème de leur endettement et de leur déficit budgétaire. Si ces risques se matérialisaient et qu'il se produisait une nette dégradation de la croissance mondiale, l'activité des pays exportateurs de pétrole de la région MOANAP en serait affectée, très probablement en raison d'une chute des cours énergétiques internationaux. Un ralentissement de l'activité chez les principaux partenaires commerciaux émergents, ainsi qu'un regain de l'agitation politique dans la région pourraient également peser sur les perspectives économiques des pays exportateurs de pétrole de la région MOANAP.

La vulnérabilité des finances publiques a augmenté du fait des vastes plans de dépenses qui ont été mis en œuvre au cours des trois dernières années. En particulier, le cours pétrolier d'équilibre — niveau de prix qui assure l'équilibre des comptes publics au niveau de dépenses donné — a été orienté à la hausse dans la plupart des

pays, et se rapproche maintenant du cours effectif du marché. De plus, la hausse des primes de risque souverain pourrait accroître le coût des emprunts pour certains des pays exportateurs de pétrole de la région MOANAP.

Les politiques actuelles d'accompagnement budgétaire et monétaire restent indiquées tant que des tensions inflationnistes ou d'autres signes de surchauffe ne se font pas jour, ce qui est le cas dans la plupart des pays exportateurs de pétrole de la région. À terme, des réformes propres à promouvoir une croissance largement partagée doivent être entreprises afin d'améliorer la gouvernance et le climat des affaires, et équiper les nouveaux arrivants sur le marché du travail de compétences requises par les employeurs, tout en les encourageant par ailleurs à prendre part à l'économie formelle. Une amélioration de la gouvernance des établissements bancaires et un développement des marchés intérieurs de la dette devraient permettre d'accroître la portée et la qualité de l'intermédiation financière et la rendre plus accessible pour tous.

## **Pays importateurs de pétrole: répondre aux besoins sociaux et rétablir la confiance économique**

Les transformations du paysage politique et économique progressent lentement dans plusieurs pays importateurs de pétrole de la région, et devraient se poursuivre encore pendant de longs mois en 2012. Par ailleurs, l'activité et la confiance ont fléchi au niveau mondial, ce qui accentue l'accroissement marqué de l'incertitude économique dans la région. D'après les projections, le taux de croissance moyen du PIB réel des pays importateurs de pétrole de la région MOANAP, qui avait atteint 4<sup>1</sup>/<sub>3</sub> pour cent en 2010, chuterait en dessous de 2 pour cent en 2011. On s'attend, pour 2012, à une reprise plus faible que prévu précédemment, avec une prévision de croissance à peine supérieure à 3 pour cent.

La situation extérieure et financière s'est dégradée. Bien que les envois de fonds des travailleurs migrants soient en règle générale restés abondants, le tourisme et les entrées de capitaux sont en net déclin. Ces facteurs, auxquels s'ajoute la hausse des cours des matières premières, ont causé une baisse des réserves internationales. Les écarts des obligations souveraines et des contrats sur risque de crédit (CDS) se sont accrus, de sorte qu'il en coûte plus cher aux États et aux entreprises d'emprunter sur les marchés internationaux. Par ailleurs, les projections laissent entrevoir une dégradation des bilans bancaires dans certains pays.

Un creusement des déficits budgétaires d'environ 1,5 pour cent du PIB en 2011–12 est à prévoir, car les autorités ont maintenu leur politique anticyclique. Les subventions et transferts généralisés, qui ne profitent guère aux plus démunis, ont considérablement augmenté, du fait que les gouvernements cherchent à amortir l'impact du ralentissement de l'activité économique et de la hausse des cours des matières premières. Certains pays ont taillé dans leurs dépenses d'équipement, et cela au détriment de la croissance future. En 2011–12, les besoins de financement des pays importateurs de pétrole devraient atteindre environ 50 milliards de dollars EU par an, et dans beaucoup de pays, le recours excessif de l'État au financement bancaire restreint le crédit au secteur privé.

Il est possible d'atténuer quelques-unes des tensions à court terme avec l'aide de financements externes et budgétaires provenant des partenaires régionaux et internationaux. Il faudrait néanmoins préserver la stabilité macroéconomique pour ancrer les anticipations et mettre en œuvre un vaste train de réformes propres à améliorer la mobilité sociale à travers de meilleurs débouchés économiques. Il faut notamment définir des plans pour mettre un terme aux récentes mesures d'exonérations fiscales et de dépenses, et remplacer les subventions généralisées par des dispositifs de protection sociale ciblée afin de dégager la marge nécessaire pour accroître les investissements publics générateurs de croissance. Des réformes dans un certain nombre de domaines, y compris les marchés du travail, les systèmes éducatifs, le climat des affaires et la gouvernance contribueront tous à tirer parti des nombreux atouts de la région pour atteindre des taux de croissance et d'emploi plus élevés à moyen et long terme.

## MOANAP : Principaux indicateurs économiques, 2000–12

(En pourcentage du PIB, sauf indication contraire)

	Moyenne				Projections	
	2000–07	2008	2009	2010	2011	2012
<b>MOANAP<sup>1</sup></b>						
PIB réel (croissance annuelle)	5.5	4.5	2.6	4.4	3.9	3.7
Solde des transactions courantes	9.5	13.4	1.8	7.0	10.4	8.2
Solde budgétaire global	3.5	6.7	-2.9	-0.2	0.4	0.1
Inflation (croissance annuelle)	5.9	14.4	7.7	7.4	10.6	8.3
<b>Pays exportateurs de pétrole de la région MOANAP<sup>1</sup></b>						
PIB réel (croissance annuelle)	5.8	4.0	1.8	4.4	4.9	3.9
Solde des transactions courantes	13.3	18.7	4.1	10.6	15.0	12.4
Solde budgétaire global	7.7	13.0	-1.6	2.9	4.6	3.6
Inflation (croissance annuelle)	6.6	14.9	5.9	6.7	11.1	7.7
<b>Dont : Conseil de coopération du Golfe</b>						
PIB réel (croissance annuelle)	5.6	6.4	0.3	5.4	7.2	4.0
Solde des transactions courantes	15.7	22.5	7.1	15.0	20.6	16.9
Solde budgétaire global	11.9	24.7	-0.4	6.1	9.7	8.3
Inflation (croissance annuelle)	2.2	11.0	3.0	3.2	4.3	4.2
<b>Pays importateurs de pétrole de la région MOANAP</b>						
PIB réel (croissance annuelle)	4.9	5.5	4.2	4.3	1.9	3.1
Solde des transactions courantes	-0.7	-4.4	-4.4	-3.3	-3.3	-3.8
Solde budgétaire global	-5.2	-5.4	-5.2	-6.0	-7.6	-6.7
Inflation (croissance annuelle)	4.7	13.3	11.1	8.7	9.8	9.6
<i>Pour mémoire :</i>						
<b>MOAN<sup>1</sup></b>						
PIB réel (croissance annuelle)	5.5	4.6	2.6	4.4	4.0	3.6
Solde des transactions courantes	10.3	15.0	2.4	7.7	11.2	9.0
Solde budgétaire global	4.5	8.6	-2.6	0.5	1.2	0.8
Inflation (croissance annuelle)	6.0	14.6	6.1	6.9	10.2	7.7
<b>Pays importateurs de pétrole de la région MOAN</b>						
PIB réel (croissance annuelle)	4.7	6.4	4.9	4.5	1.4	2.6
Solde des transactions courantes	-0.9	-2.9	-3.9	-3.9	-4.8	-4.7
Solde budgétaire global	-6.6	-4.5	-5.3	-6.3	-8.4	-7.5
Inflation (croissance annuelle)	4.2	13.5	7.0	7.5	7.7	7.6

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

<sup>1</sup>Les données de 2011 et 2012 excluent la Libye.

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

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





# 1. MENAP Oil Exporters: Benefiting from High Oil Prices amid Growing Risks

*MENAP oil exporters have benefited from high oil prices, which have provided a boost to economic activity, directly and indirectly, through the fiscal space that has facilitated additional spending in 2011–12. Accommodative fiscal and monetary policies remain appropriate in most countries in light of the still-fragile recovery, the modest rebound in credit growth, and the lack of signs of overheating. Over the longer horizon, fiscal and monetary policy should be redesigned to enhance the ability to smooth consumption and absorb shocks, safeguard long-term sustainability, and bolster financial stability. Structural reforms should aim to boost diversification, generate employment, and increase access to economic opportunities.*

## Gradual Recovery Continues

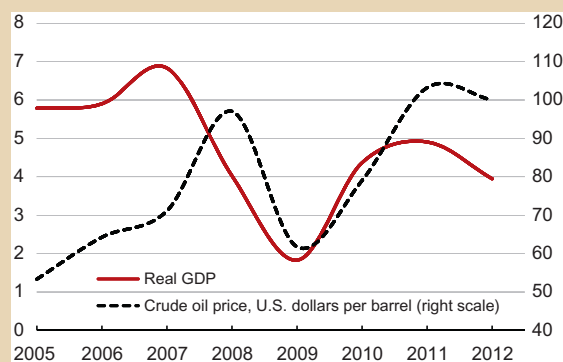
MENAP oil exporters will experience a GDP upturn of nearly 5 percent in 2011, followed by moderation in 2012. Most of this growth is driven by the high level of activity in the GCC, where GDP growth is projected at 7 percent in 2011. The GCC has been largely shielded from the negative impact of social unrest in the region; instead it has benefited from higher oil prices (31 percent higher than in 2010) and increased export volumes. In addition, Kuwait, Saudi Arabia, and the United Arab Emirates stepped up their oil production to make up for the shortfall from Libya, and Qatar ramped up its capacity to produce liquefied natural gas. These initiatives generated positive spillovers that helped stabilize international energy markets (Annex 1.1).

This aggregate behavior is largely driven by fluctuations in oil production and oil prices (Figure 1.1). Following the cutback in 2009, oil GDP growth recovered in 2010 and is expected to accelerate temporarily in 2011 in response to the shortfall from Libya and to increasing oil prices.<sup>1</sup> In contrast, non-oil growth is expected to remain relatively stable at close to 4½ percent through 2012 (Figure 1.2).

Prepared by Adolfo Barajas with input from country teams.

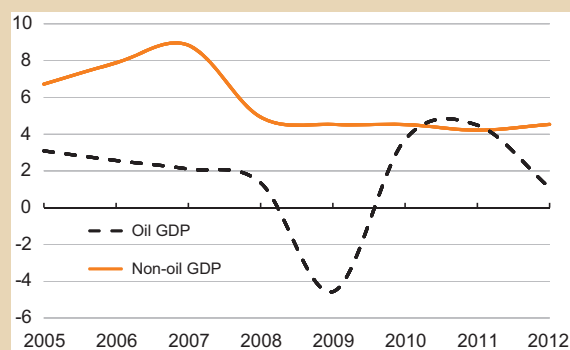
<sup>1</sup> Data for 2011 onward exclude Libya because of the marked uncertainty surrounding the country's internal conflict and potential resolution thereof.

Figure 1.1  
**On the Back of High Oil Prices, the Recovery Continues**  
(Real GDP growth; percent)



Sources: National authorities; and IMF staff estimates.

Figure 1.2  
**Strong Fluctuations in Oil Sector GDP, Non-Oil Remains Steady**  
(Real GDP growth; percent)



Sources: National authorities; and IMF staff estimates.

Increased oil revenues have in turn created additional fiscal space in the GCC, facilitating new spending to accelerate progress in achieving social objectives and continuation of longer-term public investment. As a consequence, non-oil activity is projected to grow by 5¼ percent in 2011–12. The exception to this broadly benign outlook for the GCC is Bahrain, where unrest has led to disruptions in transportation, tourism, construction, and the financial sector, slowing GDP growth to 1½ percent.

Other oil exporters in the region have been hit by a range of adverse domestic shocks. The internal conflict in Libya has had a devastating impact on economic activity in 2011, and even under fairly optimistic circumstances the recovery in 2012 will only be partial (Box 1.1). The independence of South Sudan will dramatically reduce oil revenues for Sudan, severely constraining fiscal stimulus in the near term (Box 1.2). In Yemen, the political crisis and associated damage to a key oil pipeline are weighing heavily on growth. A technical

### Box 1.1

#### Libyan Revolution: Economic Impact and Challenges Ahead

Revolution in Libya appears to be nearly over. The violence prompted imposition of United Nations Security Council sanctions on Libya on February 26, and their intensification on March 17. The conflict has had a severe impact on economic activity heavily dependent on hydrocarbons, which account for more than 70 percent of GDP and more than 95 percent of exports. Crude oil production, previously at 1.65 million barrels per day, has nearly stopped—declining by about 95 percent in June compared with a year earlier. The international sanctions and consequent denial of access to foreign exchange have limited the ability to finance imports of goods and services, resulting in severe disruptions in the nonhydrocarbon sectors of the economy. Real GDP is expected to contract by more than 50 percent in 2011 (see figure).

The conflict in Libya has had significant spillovers globally and into neighboring countries. Prior to the conflict, Libya accounted for 2 percent of global oil production, and the loss of Libyan oil exports created a temporary shortfall in the global market. In addition, Libya hosted approximately 1½ million migrant workers (mostly from Egypt and Tunisia), and migrants' return home has reduced remittances and added to the already large pool of unemployed in Libya's neighbors.<sup>1</sup> More generally, the intensification of regional turmoil due to the Libyan conflict has further contributed to driving tourists and foreign investors away from the region.

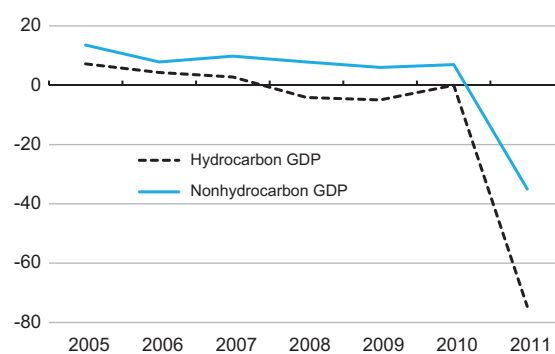
The end of the conflict can set the stage for an economic rebound, although rehabilitation of the hydrocarbon complex may take considerable time. While the immediate priority is to avoid a humanitarian crisis, it is also critical to restart hydrocarbon production and pursue an agenda for reconstruction and reform, which will include moving to stabilize the currency; reestablishing a payments system; and initiating institutional reforms in support of inclusive and sustainable growth.

Prepared by Ahmed Al-Darwish, Serhan Cevik, Ralph Chami, and Joshua Charap.

<sup>1</sup> Estimates of returning migrants as a percentage of the labor force in the home countries are 2 percent in Tunisia, 1.6 percent in Niger, 1.1 percent in Chad, and 0.5 percent in Egypt.

#### Libya: State of the Economy

(Real GDP growth; annual percent change)



Sources: National authorities; and IMF staff calculations.

## Box 1.2

**Sudan and South Sudan: Beyond the Breakup**

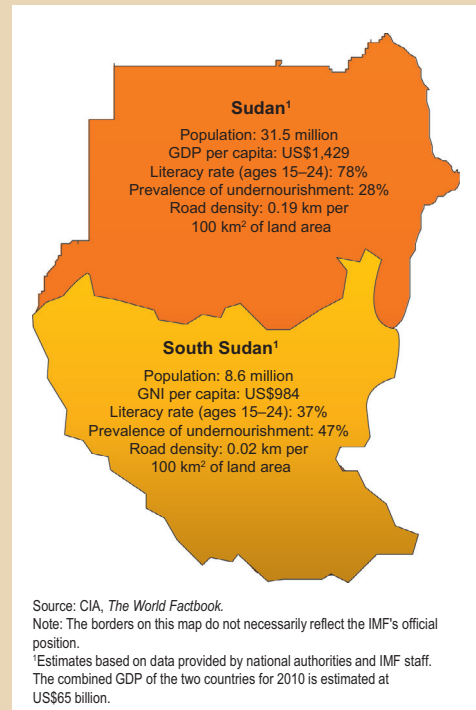
On July 9, 2011, South Sudan became an independent state, having officially seceded from Sudan after decades of civil war. Sudan faces the loss of 75 percent of oil production to South Sudan, where the majority of oil fields are located.<sup>1</sup> South Sudan relies on oil, transported via pipelines through the north, for 98 percent of government revenue, but faces a potentially rapid decline in production as known reserves dwindle. Both countries will need to look beyond oil for sources of growth.

In Sudan, a marked increase in the country's oil production over the past decade has lifted growth rates, raised living standards, and brought in revenue, but it has had limited positive spillovers onto the country's non-oil sector, with the result that a large segment of the population lives in poverty (see map). Sudan's oil revenues are set to decline significantly, barring new discoveries, which will exacerbate domestic and external imbalances. With oil accounting for half of government revenue and 90 percent of exports before the breakup, the economy will need to diversify. To this end, the development of agriculture and light industries holds considerable potential. The service sector and extractive industries other than oil, such as gold mining, could also play a role. Sudan will need to exercise fiscal restraint by streamlining nonpriority spending, reducing fuel subsidies, and enhancing revenue. With external debt at end-2010 of about US\$39 billion, Sudan has been in debt distress for many years.

South Sudan has applied for IMF membership (Sudan is already a member) and is benefiting from technical assistance. It is at a very early stage of development, scoring lower than most sub-Saharan African countries on almost all Millennium Development Goal indicators.<sup>2</sup> Its human and physical capital levels are extraordinarily low, and literacy and road density rates rank below those of neighboring countries despite higher income levels. At about US\$1,000, South Sudan's per capita income is more than twice the average for neighboring countries. However, this difference is the result of only recent increases in oil production, which currently represents about two-thirds of GDP. Production has already started falling from its 2009 peak of about 360,000 barrels per day and, barring new discoveries or improved recovery, it is likely to halve by 2020.

Thus, there is a small window of opportunity to put the oil windfall to good use. However, given absorptive capacity constraints, investment must take place gradually while the oil wealth is saved and capacity improved. An immediate challenge is for the country to establish the credibility of its macroeconomic policy framework, including monetary operations.

For both countries, future prosperity depends largely on increased economic cooperation. As part of the international effort to help both countries, the IMF is playing a central advisory role in the areas of central banking, public financial management, and macroeconomic policy formation.



Prepared by Alberto Behar and Lisa Dougherty-Choux.

<sup>1</sup> Under the 2005 Comprehensive Peace Agreement, oil proceeds from fields located in the south were equally split between Sudan and South Sudan. The extent of future revenue sharing and the terms of transit are a matter of negotiation.

<sup>2</sup> See IMF, April 2011 *Regional Economic Outlook: Middle East and Central Asia*, Box 1.2.

Table 1.1

**New Spending Measures Announced in 2011***(Percent of GDP)*

		Expenditure measures enacted and planned for 2011 and 2012				Total impact of the policies
		Wages	Subsidies	Other current	Capital	
Algeria	2011	1.5	3.0	...	...	4.5
Iraq <sup>1</sup>	2011	2.9	0.7	...	...	3.6
	2012	1.4	...	...	...	0.7
Kuwait	2011	...	...	2.8	0.4	3.2
	2012	...	...	...	0.5	0.5
Oman	2011	1.2	...	0.4	2.5	4.0
	2012	1.0	...	0.3	2.5	3.9
Qatar <sup>2</sup>	2011	...	...	...	...	...
	2012	3.0	...	...	...	3.0
Saudi Arabia	2011	0.7	0.3	4.4	...	5.5
	2012	0.4	...	...	1.2	1.7

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>For Iraq in 2012, the impact of the spending policies is partially offset by a measure increasing trade tax revenue by 0.7 percent of GDP.<sup>2</sup>Tentative estimates of the measure announced in September 2011.

stoppage at major oil refineries in Algeria is projected to contribute to a 1½ percent decline in oil GDP in 2011, offset by vigorous non-oil activity led by continued fiscal stimulus. Finally, the ambitious energy subsidy reform initiated in Iran at the end of 2010 is expected to result in a slowdown in economic activity as enterprises adjust to an environment of markedly higher energy prices. This negative impact appears, however, to be mitigated to some extent by compensatory payments to households, which are buoying domestic demand.

## Fiscal Expansion Continues, with New Vigor in the Social Sector

As fiscal space widened, several countries announced spending programs early in the year covering a wide spectrum of measures including subsidies, wages, and capital expenditure (Table 1.1), often in addition to stimulus provided earlier. Of particular note are the Saudi Arabian multiyear spending packages announced in February and March (equivalent to 19 percent of 2011 GDP). The bulk of the 2011 spending comprises one-time transfers to public workers and to institutions involved in housing, social, and small and medium-

sized enterprise finance, whereas expenditures in subsequent years will be highly concentrated in capital spending and directed mostly to the housing sector. Sizable additional spending plans were announced in Algeria, where food and housing subsidies were increased by 3 percentage points of GDP, and a number of initiatives were put in place to support employment. Iraq announced additional spending of about 3½ percent of GDP in 2011 and close to 1 percent of GDP in 2012, most of which will be for public-sector wages. Kuwait has expanded spending plans this year by about 3¼ percent of GDP, mostly comprising transfers to households: the Amiri grant provides US\$3,600 in cash to each Kuwaiti citizen and free essential food items for 18 months beginning in February 2011, with the remainder targeted at capital expenditures in the context of the Development Plan. In September, Qatar announced substantial increases in public-sector salaries and pensions for 2012, estimated at more than 3 percent of GDP.

As a result, for MENAP oil exporters as a whole, non-oil fiscal deficits are projected to widen by more than 2½ percentage points of non-oil GDP in 2011, and to contract by only 2 percentage points in 2012. In the GCC, the cycle is even more pronounced. There, the non-oil deficit is set to increase by more

than 5 percentage points of non-oil GDP in 2011, and then revert by almost 5 percentage points in 2012. Successive years of ramped-up spending will leave these countries with a non-oil deficit 10 percentage points higher in 2011 than in 2008, and a striking 24 percentage points of non-oil GDP higher than in 2006 (Figure 1.3). Sudan and Yemen, in contrast, have limited fiscal space, and will be further constrained by falling oil revenues. Their spending in 2011 will remain well below precrisis levels (Figure 1.4).<sup>2</sup> A spending contraction by 3½ percentage points of GDP is projected for Sudan over 2011–12, and Yemen will face a significant cut in expenditures—particularly on infrastructure.

### Fiscal, External Balances Improve despite Higher Spending

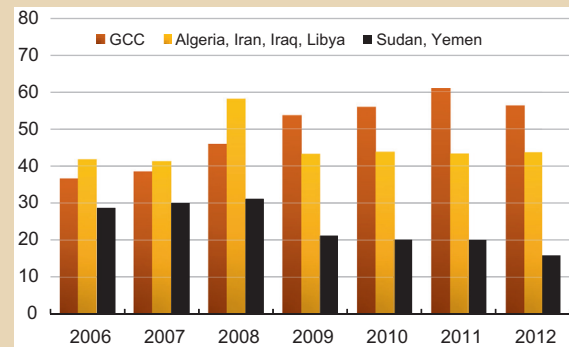
At current projected oil prices and levels of production, revenue gains will more than offset the high levels of public spending. For MENAP oil exporters, the overall fiscal balance will improve by close to 2 percentage points to 4½ percent of GDP in 2011, and then fall by 1 percentage point in 2012. As expected, the 2011 improvements will be more pronounced for the GCC, amounting to 3½ percentage points of GDP (Figure 1.5).

Similarly, oil export revenues are projected to increase more rapidly than import outlays. The external current account balance is projected to improve by more than 4 percentage points to 15 percent of GDP, then drop in 2012 for the oil exporters as a whole, and by 5½ percentage points in the GCC (Figure 1.6).

Improved external current account balances will allow oil exporters to strengthen their investment positions abroad, with the balance on the capital and financial accounts peaking at US\$163 billion in 2011, more than 60 percent higher than the level

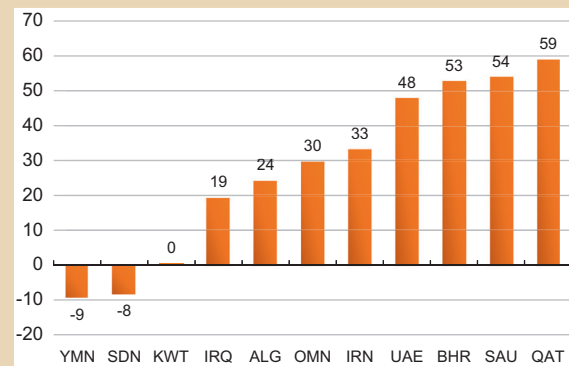
<sup>2</sup> Spending in Kuwait is only 1 percent higher than in 2008, mainly because of a large payment to recapitalize social security in 2008. After this payment is factored out, as well as a smaller one in 2011, expenditures in 2011 are 25 percent higher than in 2008.

Figure 1.3  
**Non-Oil Fiscal Deficits Have Been Widening in Most Countries**  
(Percent of non-oil GDP)



Sources: National authorities; and IMF staff estimates.

Figure 1.4  
**Most Oil Exporters Have Ramped Up Spending**  
(2008 to 2011; percent change; total government expenditure in U.S. dollars)



Sources: National authorities; and IMF staff estimates.

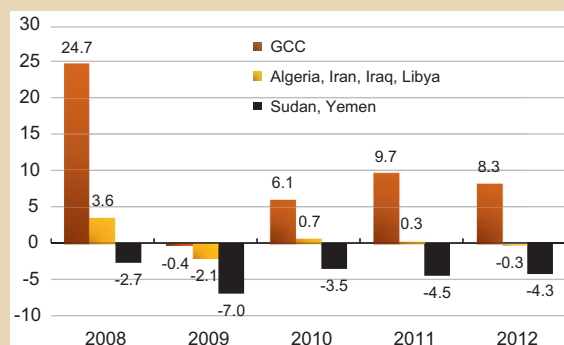
registered in 2008, and more than five times the average for 2000–05. These developments are driven by the GCC, with outward net investment—including through sovereign wealth funds—reaching US\$174 billion in 2011. In contrast, the non-GCC countries will register a net capital inflow of US\$11 billion, similar to the volume received in 2010.

In addition to providing foreign investment flows to the rest of the world, the oil exporters—and the GCC in particular—will continue to be a source of positive spillovers both within and outside the MENA region, through imports and outward remittances. The GCC contributes about 10 percent

Figure 1.5

**Despite Higher Spending, Fiscal Balances Improve in Most Countries**

(Percent of GDP)

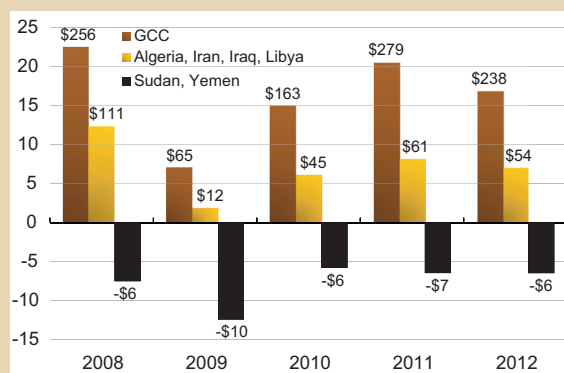


Sources: National authorities; and IMF staff estimates.

Figure 1.6

**Current Account Balances Improve Further**

(Percent of GDP and billion U.S. dollars)



Sources: National authorities; and IMF staff estimates.

of worldwide remittances, and its imports represent close to 3 percent of global imports.

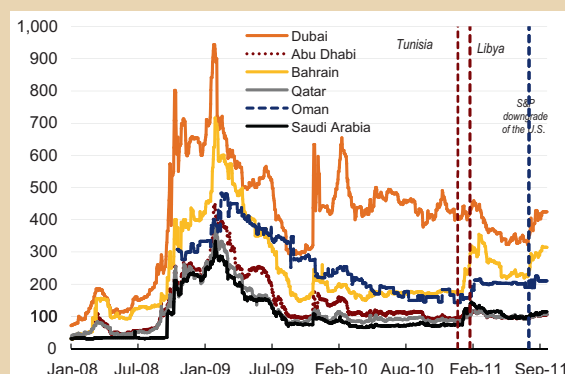
## Financial Conditions Point to Increased Regional, Global Risk

Despite the generally favorable outlook for these economies, the Arab Spring uprisings in early 2011 and the sovereign debt difficulties encountered in the euro area and the United States resulted in heightened sovereign risk, as reflected in credit default swap (CDS) spreads. CDS spreads rose for all countries during the first quarter of 2011 and again in early August, although not nearly as sharply as during the

Figure 1.7

**Sovereign Risk Levels Still Elevated**

(Credit default swap spreads; basis points; basis points: Jan 1, 2008–Sep 26, 2011)



Source: Markit.

aftermath of the Lehman Brothers and Dubai World events. Most affected was Bahrain, with an increase of more than 180 basis points between mid-January and mid-March, then another of 60 basis points during the first two weeks of August. For all countries, the 2011 shocks interrupted a gradual decline in spreads that began in early 2009, when spreads reached historical highs. To date, no country’s risk level has returned to pre-Lehman levels (Figure 1.7).

The probability that distress from other countries in the region could spill over onto a given country can be measured by a “spillover coefficient” constructed from CDS spreads.<sup>3</sup> This indicator shows three distinct episodes in which global or regional spillovers were magnified: (1) the Lehman Brothers bankruptcy, when the coefficient reached almost 60 percent for Dubai, more than 40 percent for Bahrain, and 30 percent for Saudi Arabia; (2) the Dubai World event, when it reached 20 percent for Dubai and nudged upward slightly

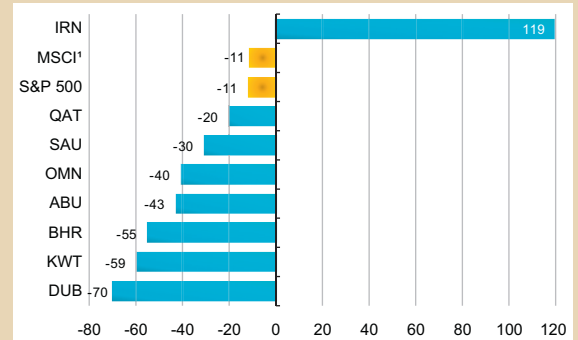
<sup>3</sup> Based on analysis conducted by Arthur Ribeiro da Silva. For a full description of the methodology and data employed, see IMF, Middle East and Central Asia Department, *Gulf Cooperation Council: Enhancing Economic Outcomes in an Uncertain Global Economy*, Chapter 5, “Credit Default Swaps and Distress Dependence in the GCC,” October 2011. More specifically, the spillover coefficient reported in Figure 1.8 measures the degree to which a given country could suffer contagion from distress in a group of 12 countries (10 in MENA, plus Kazakhstan and Pakistan).

for Abu Dhabi and Bahrain; and (3) the Arab Spring, when it reached, and even surpassed, 10 percent for several countries in February 2011 (Figure 1.8). A decomposition of the spillover coefficient shows that two countries—Bahrain and Egypt—accounted for about one-third of the financial spillovers in the region during the early part of the year.

Stock markets for the most part also retreated in 2011, interrupting a steady recovery that had commenced during the second half of 2010. As with the widening of CDS spreads, stock markets declined markedly in response to events surrounding the Arab Spring during the first quarter of 2011, the euro area debt issues, and the U.S. credit rating downgrade in early August. By the end of September, equity indices remained well below pre-Lehman crisis levels, by as much as 70 percent in Dubai (Figure 1.9). The exception is Iran, where the main stock index has risen rapidly and continuously since its post-Lehman trough in early 2009, by more than 200 percent. Driving this meteoric rise is the country’s large-scale privatization program. Low real estate prices and real interest rates also played a role. Despite the rapid increase in the stock index, the price-earnings ratio is still low by international standards, registering about 6 at end-2010—in contrast to 10–15 in Brazil and Russia, close to 20 in India, and

Figure 1.9  
**Stock Market Indices Still Not Back to Pre-Lehman Levels**

(Percent change from Aug 31, 2008, to Sep 26, 2011)



Source: Bloomberg.  
\*Emerging markets index.

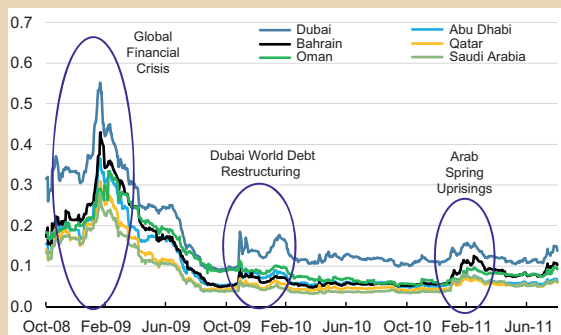
15 in Egypt—which suggests that the market is not yet overvalued.<sup>4</sup>

### Banks Gain Strength, but Credit Recovery Remains Subdued

As economic activity continues to pick up, financial sectors are gradually recovering. GCC banks in particular, which showed considerable resilience during the global crisis, are now registering capital adequacy ratios of between 15 percent (Oman) and nearly 20 percent (United Arab Emirates and Qatar, supported by the government), with nonperforming loans of less than 10 percent. In Kuwait, the nonperforming loan ratio fell from a peak of 11 percent in 2009 to 9 percent at end-2010, partly as a result of substantial write-downs by several banks (Figure 1.10).

For other countries, nonperforming loans continue to be high—in excess of 13 percent. Capitalization appears sufficient, with few exceptions. Actions are needed to address several pressing issues: resolution of nonperforming loans in the state banks in Algeria, restructuring of two state-owned banks in

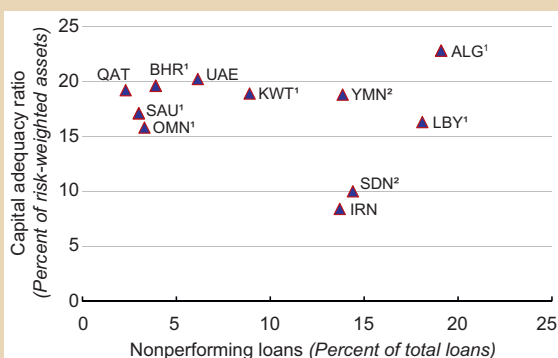
Figure 1.8  
**GCC Countries: Spillover Coefficient from Financial Distress in Other MENA Countries**  
(Probability)



Sources: Markit; and IMF staff calculations.

<sup>4</sup> See IMF Country Report No. 11/241, August 2011.

Figure 1.10

**Financial Stability Improving, but Vulnerabilities Still Present**

Source: National authorities.

<sup>1</sup>December 2010.<sup>2</sup>December 2009.

Iraq, and enhancement of capitalization and loan provisioning in Iran and Sudan.

While financial soundness indicators are moving in the right direction, private-sector credit growth remains cautious, as was expected.<sup>5</sup> The postcrisis credit crunch experienced throughout the region was the result of demand factors—weak economic activity—and supply factors related to a collapse in funding and increased risk aversion on the part of banks. MENAP oil exporters are now seeing an incipient recovery in economic activity and in deposits, but credit growth has lagged (Figure 1.11). Even in a few countries where bank credit is gaining strength—in Qatar in particular and, to a lesser extent, in Saudi Arabia and Oman—credit growth is still relatively modest compared to deposit growth. Credit sluggishness and the downward trend in loan-deposit ratios stem from banks' lingering risk aversion and tighter prudential regulation on real estate and consumption credit in some countries. Some heightened caution in lending may be welcome in light of the difficulties encountered by

<sup>5</sup> See IMF, May 2010 *Regional Economic Outlook: Middle East and Central Asia*, Chapter A.3, "Reviving Bank Credit in MENA." Historical analysis of credit boom-bust cycles in the MENA region indicate that, on average, it takes three years for credit growth to recover to normal rates following a credit bust.

banking systems as a result of excessive precrisis credit growth.

Outside the GCC, credit growth picked up in some countries. It accelerated to an annual rate of 37 percent in Iran during the first quarter of 2011, partly in response to policies aimed at promoting housing finance. In Algeria, credit growth briefly accelerated to more than 20 percent in April, only to return to 10 percent by the middle of the year. After surging by 90 percent in 2010, growth in credit extended by Iraqi banks slowed to a more moderate 20 percent during the first quarter of 2011.

## Inflationary Pressures Modest amid High Commodity Prices

For the most part, inflation remains subdued, averaging 10½ percent as of June 2011 (Figure 1.12). With the exception of Sudan, Yemen, and Iran—the latter two affected by a step adjustment in prices as energy subsidies are being reduced—oil exporters are registering single-digit inflation, and seven of these are still recording inflation at less than 5 percent. Furthermore, core inflation remains moderate, at just over 4 percent on average, suggesting that second-round effects of the increase in imported food prices have yet to surface.

## Echoes of 2008, but with Key Differences in Risk Tolerance

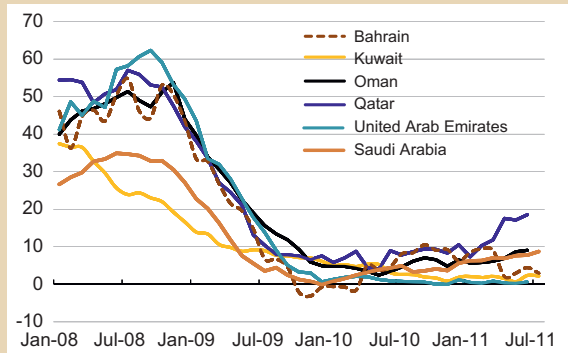
In some regards, external conditions facing the oil exporters are akin to those in 2008, prior to the Lehman bankruptcy—and so are policy stances. Oil prices increased by 38 percent on average in 2008, similar to the 31 percent rise projected for 2011, also in the context of high—albeit stabilizing—commodity prices.<sup>6</sup> A loosening of

<sup>6</sup> After rising by more than 28 percent in 2010, the IMF nonfuel commodity index increased further—by more than 9 percent to April 2011—and has subsequently fallen; at end-August 2011 the index was 2 percent higher than at end-2010.

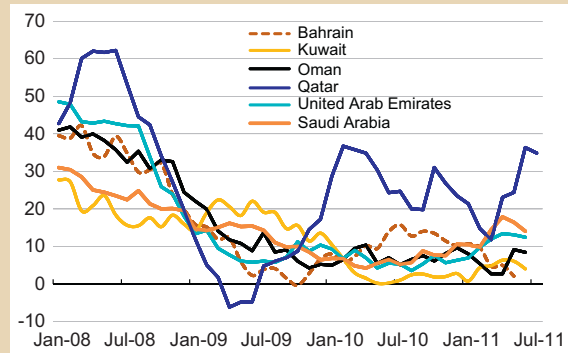


Figure 1.11

**GCC Credit Growth Is Still Mostly Subdued ...**  
(Credit to private sector; year-over-year growth, percent)



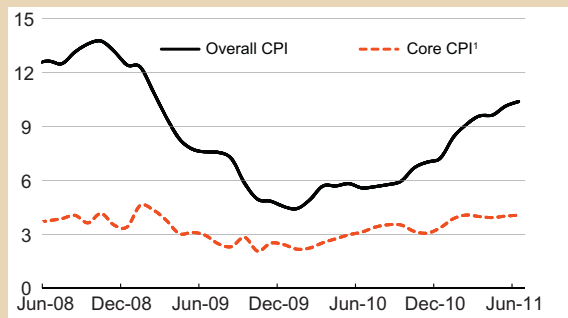
**... Although Deposits Are Picking Up**  
(Total deposits; year-over-year growth, percent)



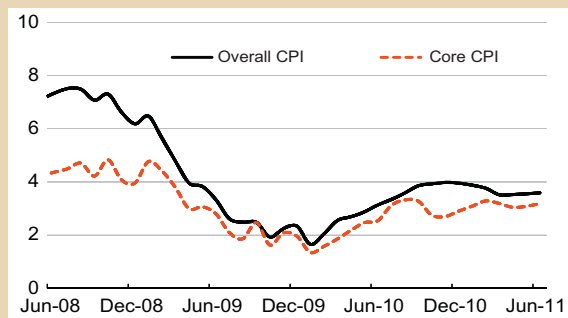
Source: National authorities.

Figure 1.12

**Some Inflationary Pressures in the Oil Exporters ...**  
(Consumer price index, average; year-over-year growth)



**... But Inflation Still Subdued in the GCC**  
(Consumer price index, average; year-over-year growth)



Source: National authorities.

<sup>1</sup>Excludes Algeria, Iran, Libya, and Yemen because of data limitations.

monetary conditions in advanced economies in 2008 led to a global low-interest-rate environment, as is currently the case. As in 2008, many oil exporters have responded to the 2011 revenue windfall by increasing spending and thereby providing additional stimulus to the non-oil sector. Finally, the monetary policy response has been similar during both periods, in part because of the U.S. dollar-pegged regimes in many of these countries.

However, there are key differences in 2011:

- Fiscal vulnerability has increased substantially relative to 2008, as break-even oil prices—the prices at which the fiscal balance is zero

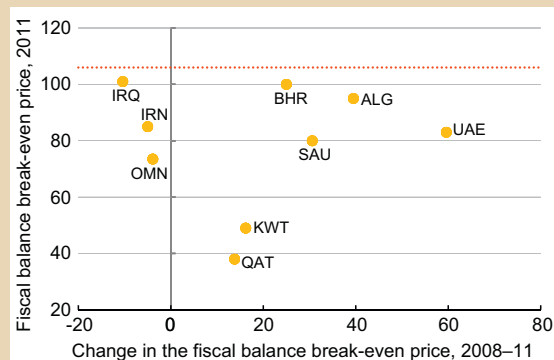
given the level of expenditure and non-oil revenues—have risen steadily and are now approaching observed oil prices (Figure 1.13).<sup>7</sup> Although most oil-exporting countries do not hold significant amounts of government debt, some have registered relatively high and increasing levels. In Bahrain, for example, debt has more than doubled to a projected 34 percent of GDP in 2011, and in Sudan it is projected at 78 percent of GDP in 2011,

<sup>7</sup> Although break-even prices have increased by more than US\$20 per barrel since 2008 for several countries, the average price is only US\$6 per barrel higher.

Figure 1.13

**Fiscal Break-Even Oil Prices Have Been Creeping Upward**

(U.S. dollars per barrel)

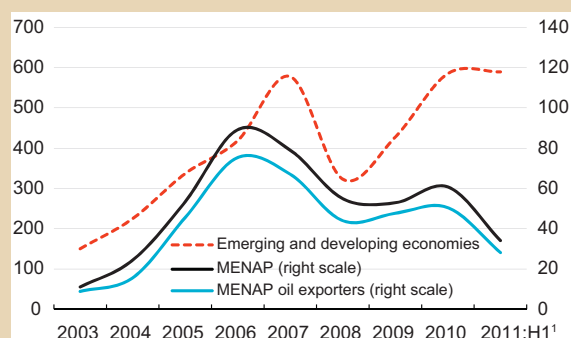


Sources: National authorities; and IMF staff estimates.

Figure 1.14

**International Issuance of Bonds, Loans, and Equity**

(Billion U.S. dollars)



Source: Dealogic.  
<sup>1</sup>Annualized.

6 percentage points of GDP higher than in 2008.

- External downside risks to the outlook are now more visible and immediate, particularly in light of the Arab Spring and the increased perception of fragility in the global recovery.
- Capital flows into the region—and to oil exporters in particular—are well below their 2008 levels. Although a search for yield has spurred increases in international capital flows to emerging economies in 2010 and 2011, MENAP countries have not benefited to the same degree.<sup>8</sup> While international issuance of bonds, loans, and equity by emerging economies increased by 37 percent in 2010 and by 17 percent during the first half of 2011—compared with the first half of 2010—for MENAP oil exporters issuance of securities rose by only 6 percent in 2010 and declined by 38 percent during the first half of 2011 (Figure 1.14).

<sup>8</sup> This development is in line with a previously identified trend; see IMF, May 2010 *Regional Economic Outlook: Middle East and Central Asia*, Chapter A.4, “Capital Flows to the MENAP Region: Going Beyond Traditional Sources.”

In general, the low volumes of inflow partly reflect recent tight supply conditions related to a lower risk appetite following the Dubai World event and regional unrest; real estate market corrections in several countries; and perennial factors, such as the lack of transparency in the business environment and insufficient bond and capital market development. Demand factors are also at play as the region exports record volumes of capital, and firms are building large cash cushions.<sup>9</sup>

- As noted above, domestic bank credit growth remains sluggish, in contrast to the credit booms in full swing in many countries in 2008.

Looking ahead, MENAP oil exporters face considerable downside risks. The most immediate would be the direct and widespread impact of a sharp global slowdown resulting from a lack of effective action to confront debt and fiscal issues in Europe and the United States. Global oil demand would contract substantially, possibly leading to a sustained drop in oil prices.

<sup>9</sup> See IMF, Middle East and Central Asia Department, *Gulf Cooperation Council: Enhancing Economic Outcomes in an Uncertain Global Economy*, Chapter 7, “GCC Corporate Vulnerabilities,” October 2011.

Other risk factors include further regional unrest and a downturn in key trading partners (for example, India and China for non-oil exports of the United Arab Emirates, and Italy and Spain for Algeria). Additional tightening of global financial conditions would be particularly damaging for some countries facing significant rollover needs over the coming months. Finally, over time, potential development of nonconventional gas production in Europe—following the recent experience of the United States—could lead to a sharp fall in demand for natural gas exports from the region.

## Designing Fiscal Policy for the Long Haul

In recent years, active expansionary fiscal policy has been called upon in many MENAP oil-exporting countries in pursuit of several interrelated objectives: to support non-oil activity; to undertake investment in human and physical capital to complement private-sector activity; and to address social needs, either by offsetting the impact of higher food prices, or by filling gaps in such critical services as housing and health. Efforts are also needed to increase the effectiveness of fiscal policy and contribute to economic diversification over the longer term. Actions should focus on the following:

- In several countries—even among those with perceived ample fiscal space in the near term—some measure of fiscal consolidation will be required to bring fiscal balances in line with longer-term sustainability.
- Efforts to diversify the revenue base should be intensified. The study of a GCC-wide value-added tax is a welcome development, along with efforts to introduce or expand income and corporate taxes in some countries. All countries will require improved tax administration and a broader tax base.
- The allocation of spending should aim at maximizing long-term efficiencies and benefits to the population. In particular, the move away from product-based subsidies to targeted social

safety nets should proceed rapidly. So far, Iran's subsidy reform, which has resulted in a reduction in domestic energy consumption, has had a positive distributional and environmental impact. In general, periodic review of public investment programs is needed to ensure their efficiency and implementation.

- Designing government budgets within multiyear frameworks would be beneficial to delink spending from the volatility of revenues and to safeguard long-term sustainability. Establishment of macrofiscal units within ministries of finance can be a first step in such a policy design. Furthermore, international experience shows that fiscal rules can be a useful framework, especially with effective buy-in by society at large.

Regarding fiscal policy:

- Across-the-board public-sector wage increases may be crowding out priority spending and leading to budget rigidities as they become entrenched over time.
- Reliance on energy subsidies has contributed to rapidly rising domestic energy consumption, which raises the question of efficiency in production technology, as well as environmental concerns. Annex 1.1 indicates that net exports of oil and natural gas from the Middle East are likely to decline over time if current consumption trends persist.
- In GCC countries, high and increasing public-sector wages and employment are at odds with the objective of promoting participation of nationals in private-sector employment, as they contribute to high reservation wages (Box 1.3).

## Monetary Policy for Stability and Growth

As with fiscal policy, the accommodative monetary policy stance of the past few years remains broadly appropriate. However, policymakers should stand ready to adjust fiscal and monetary policies should

inflationary pressures or credit bubbles emerge. This is particularly relevant in the GCC countries, where excess liquidity in the banking system is ample and where, therefore, a change in the willingness to lend could spark a rapid pickup in credit growth. So far, policy has been either neutral or focused on addressing insufficient credit growth. Qatar, for example, has reduced interest rates twice during the past six months to discourage speculative capital inflows and encourage banks to lend.

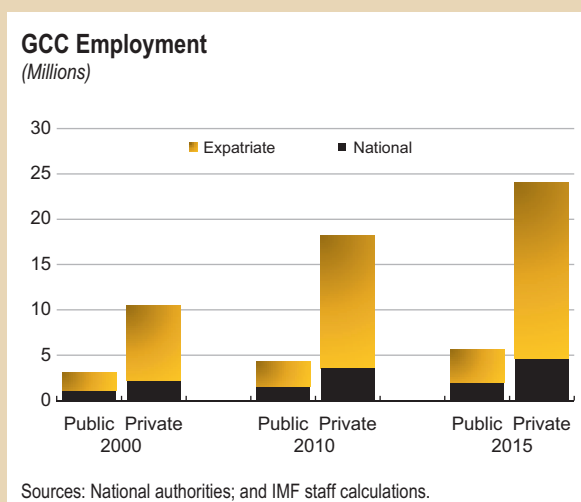
Monetary policy tightening should be undertaken with greater urgency in several non-GCC countries (Sudan, for example), but will require fiscal consolidation to rein in central bank financing. In these countries, greater exchange rate flexibility, together with effective monetary aggregate targeting, can assist in achieving price stability.

Over time, the macroprudential toolkit should be developed further as a means to conduct

### Box 1.3

#### Labor Markets in the GCC

IMF staff estimates indicate that approximately 7 million new jobs were created in the GCC over the past decade, of which less than 2 million went to nationals. The sharp rise in expatriate employment has occurred largely in the private sector, but also in the public sector in Kuwait and Qatar. The high unemployment rate for nationals<sup>1</sup> has not resulted from insufficient job creation, but from skills mismatches, high reservation wages, and the attractiveness of public-sector employment. Based on historic trends, and in light of the rapidly growing workforce, the number of unemployed GCC nationals could increase by as many as 2 to 3 million over the next 5 years, compared with approximately 5 million employed nationals in 2010.



On the basis of staff calculations, GCC countries could be expected to increase employment by almost 6 million workers during 2010–15. However, less than one-third of the new jobs would go to GCC nationals, barring a policy shift (see figure).<sup>2</sup> On the supply side, more than 4½ million new nationals will be old enough to work.

An increase in employment opportunities for nationals will require an enhancement of the current employment strategy, while ensuring that it does not erode competitiveness. For several years, most GCC countries have had programs in place aimed at increasing employment of nationals, including quotas, training and placement services, subsidies, and other incentives. These initiatives will likely need to be supplemented or replaced by measures to address skills mismatches and high reservation wages of nationals. A challenge will be to promote the employment of nationals without imposing undue costs on doing business that would erode competitiveness and potentially reduce growth.

Prepared by Joshua Charap.

<sup>1</sup> Data on unemployment are not necessarily comparable across countries, as definitions differ.

<sup>2</sup> New labor market entrants during 2010–15 were calculated from population estimates and projections available at: [http://esa.un.org/unpd/wpp/unpp/panel\\_indicators.htm](http://esa.un.org/unpd/wpp/unpp/panel_indicators.htm).

countercyclical demand policy and to prevent excessive buildup of risks in the banking sector. All GCC countries have been successful with such macroprudential tools as caps on loan-deposit ratios, increasing loan provisioning and capital requirements in good times, setting minimum liquidity ratios, and selective floors on capital requirements. Further use of these types of instruments, along with the development of an early warning system—such as that which is in place in the United Arab Emirates—can serve to enhance financial sector stability.

## Structural Reforms Should Continue

To support the overall effort to diversify the economy and provide employment to growing populations, attention should focus on three key areas: improving the business environment (Annex 2.2), reforming labor markets, and promoting good governance.

Regarding the business environment, although several GCC countries rank favorably on a number of indicators, the same is not true for all MENAP oil-exporting countries. Furthermore, even where high-quality regulations exist on paper—for example, a small number of days required to obtain an operating license for a new firm—their unequal application to large and small firms deters competition.

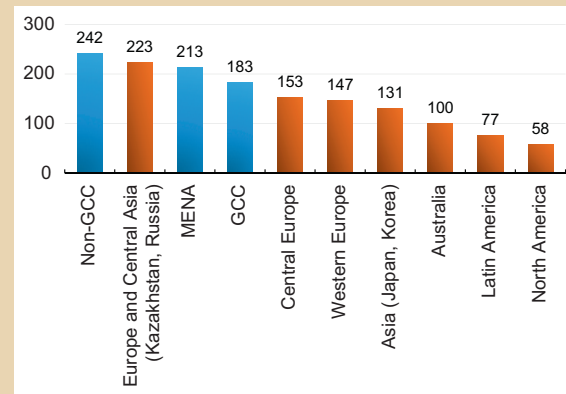
Given the expected expansion of the working-age population, growth in the non-oil sector alone will not solve the unemployment problem, particularly among GCC nationals. Policies to promote employment should focus primarily on providing prospective labor force entrants with the skills required by employers and with incentives to participate (Box 1.3).

Improvements in bank governance should be pursued as well. MENA banking systems have for many years relied on interconnectedness with large and often family-owned conglomerates. As a result, name lending is prevalent, and loan concentration has been appreciably higher than in most other regions (Figure 1.15). Access to financial services

Figure 1.15

### High Loan Concentration in MENA

(Banks' top 20 credit exposures; percentage of total equity)



Sources: Standard & Poor's; and World Bank, *Financial Access and Stability* (2011).

among the population is low, with small and medium-sized enterprises finding it particularly difficult to obtain bank credit.<sup>10</sup> A concerted effort to increase competition, improve transparency of ownership and disclosure of nonfinancial information, ensure sufficient representation of independent board members with a mix of relevant experience, and allow for a stronger role of supervision should help increase the quality and inclusiveness of financial intermediation.

Hand in hand with the development of bank intermediation, policy should aim at developing the corporate debt market to increase domestic options for financing productive activity. Placement of government debt at regular intervals and at a sufficiently wide range of maturities can play a key leading role, even in countries where there is no clear need for government financing.

<sup>10</sup> See IMF, April 2011 *Regional Economic Outlook: Middle East and Central Asia*, Section 3.3, “The Impact of Financial Development on Economic Growth in the Middle East and North Africa.”

## Annex 1.1. Medium-Term Outlook on the Production of Oil and Natural Gas

*The global oil market is expected to remain tight over the medium term, with demand projected to grow faster than supply. In the gas market, supply is expected to cover demand growth comfortably, which explains the recent decoupling of oil and gas prices. The MENA region will remain a key player on the supply side of both oil and gas markets, although the rapid increase in domestic energy consumption may subtract from the region's export potential.*

### Oil

Oil markets received a great deal of attention during the first half of 2011. Oil prices, for the most part, have continued on an upward trend since the autumn of 2010 amid adverse supply shocks, volatility of demand, and heightened concerns about the health of advanced economies. Looking ahead, the projected strong growth of emerging Asia and China and the anticipated maturing of oil fields in major producing countries have renewed concerns that oil markets may be entering a period of increased scarcity.<sup>1</sup>

### 2011 Supply Disruptions Turned Out to Be Relatively Minor

During the first half of 2011, oil supply was affected by temporary shutdowns of production in countries that are not members of the Organization of Petroleum Exporting Countries (OPEC) for maintenance and capacity expansions and by supply disruptions in Libya. Lack of supply, however, does not appear to have been as significant as these disruptions would suggest. In particular, inventory levels during the first half of 2011 still showed some overhang vis-à-vis historical levels, a situation that seems to have normalized only by end-June. At the same time, OPEC production reached levels similar to those observed at the beginning of the year, largely as the result of a significant production increase in Saudi Arabia, which in turn has helped stabilize international energy markets (Table 1).

Prepared by Ananthakrishnan Prasad and Pedro Rodriguez.

<sup>1</sup> See IMF, April 2011 *World Economic Outlook*.

Table 1

#### Crude Oil Production

(Million barrels per day)

	2007	2008	2009	2010	Proj. 2011
MENAP oil exporters	25.8	26.3	24.3	24.5	24.1
Libya	1.8	1.8	1.6	1.6	...
Kuwait	2.6	2.7	2.3	2.3	2.5
Saudi Arabia	8.8	9.2	8.4	8.4	9.3

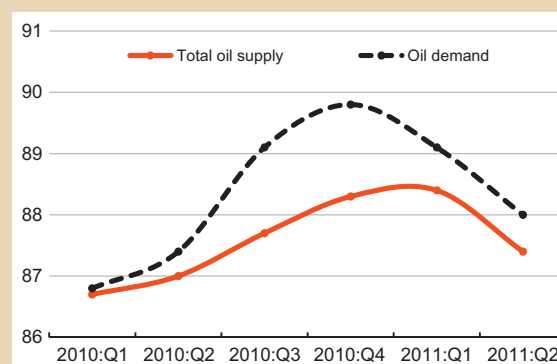
Sources: National authorities; and IMF staff calculations.

At the end of the first half of 2011, the oil market faced another unusual supply event—the release by the International Energy Agency (IEA) of about 60 million barrels from its strategic reserve. The IEA argued that this release—only the third in the agency's 37-year history—was in response to concerns that the Libyan supply disruption, coupled with the normal seasonal increase in refiner demand expected for the summer, could exacerbate the tightness in the oil market (Figure 1). The IEA,

Figure 1

#### Global Oil Demand and Supply

(Million barrels per day)



Source: U.S. Energy Information Administration.

Table 2

**Global Oil Production Capacity***(Million barrels per day, unless otherwise indicated)*

	2010	Projections						Annual growth (Avg., percent)	
		2011	2012	2013	2014	2015	2016	2011–16	2006–10
<b>Production capacity</b>									
OPEC	41.1	40.2	40.8	42.6	43.9	45.0	45.3	1.6	2.3
Crude oil	35.7	34.3	34.4	35.9	36.9	37.7	37.9	1.0	2.1
Natural gas liquids	5.3	5.9	6.3	6.7	7.0	7.3	7.4	5.6	3.7
Non-OPEC	52.7	53.3	54.2	54.2	54.3	55.1	55.4	0.8	0.5
Total	93.8	93.5	95.0	96.8	98.2	100.1	100.7	1.2	1.3
<b>Memorandum items:</b>									
Oil demand	88.0	89.3	90.6	91.9	93.1	94.2	95.3	1.3	
Call on OPEC oil <sup>1</sup>	35.3	36.0	36.4	37.7	38.8	39.1	39.9	2.1	
Implied OPEC spare capacity to oil demand (%)	6.6	4.7	4.8	5.3	5.5	6.2	5.6		

Sources: International Energy Agency, *Medium-Term Oil and Gas Markets 2011*; and IMF staff estimates.<sup>1</sup>Calculated as the difference between oil demand and non-OPEC production.

which initially made this supply available for 30 days, decided not to repeat the operation at the end of that period.

## Spare Production Capacity to Decline as Global Demand Grows

Global production capacity is expected to grow by 6.8 million barrels per day (mbd) by 2016, an average annual growth of about 1.2 percent.<sup>2</sup> About 40 percent of the capacity increase (2.6 mbd) is expected to come from non-OPEC countries, led by expansions of production from North and South American countries (mainly Brazil, Canada, and the United States). Technological progress is playing an important role in non-OPEC capacity expansion: U.S. production, for example, is expected to see an average annual growth of 1 percent, driven by the expansion of light tight oil, which uses similar techniques to those used to extract unconventional gas (Table 2).<sup>3</sup>

<sup>2</sup> IEA, *Medium-Term Oil and Gas Markets 2011*.

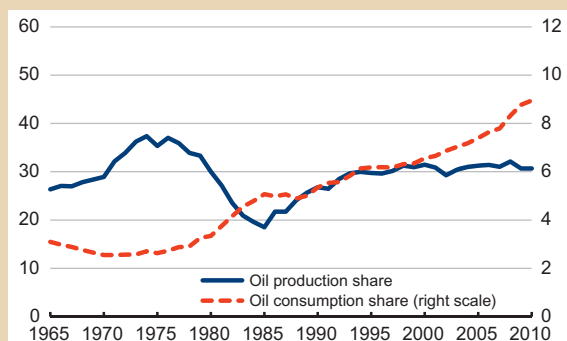
<sup>3</sup> See IMF, April 2011 *World Economic Outlook*, Box 3.2, for a discussion of the implications of unconventional gas for the global gas market.

The remainder of the capacity expansion is expected to come from OPEC producers (4.2 mbd), with the largest share coming from Iraq as oil facilities continue to come back online. Notwithstanding this relatively high increase in production capacity, OPEC's spare capacity as a share of global oil demand is expected to decline somewhat over the medium term, as oil demand growth outpaces the growth in non-OPEC supply.

## Middle East Oil Consumption to Bite into Export Supply

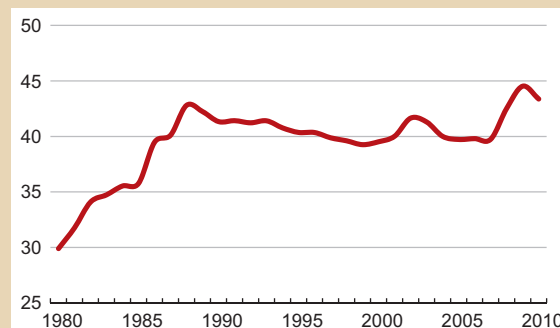
The Middle East is by far the largest oil-exporting region in the world—in 2010 it produced more than 30 percent of the world's oil, while its share in global oil consumption amounted to just 9 percent (Figure 2). Nonetheless, the Middle East's share in global oil consumption has been increasing rapidly over the past decade—to a large extent as a consequence of the region's economic growth, but also likely supported by low oil prices in many countries in the region. Particularly striking has been the region's oil consumption over the past two years: oil consumption growth in the Middle East easily outpaced that of other regions in 2009 and was basically at par with Asia's consumption growth in 2010 (Figure 3).

Figure 2  
**Middle East: Oil Production and Consumption**  
 (Percent of global oil production and consumption, respectively)



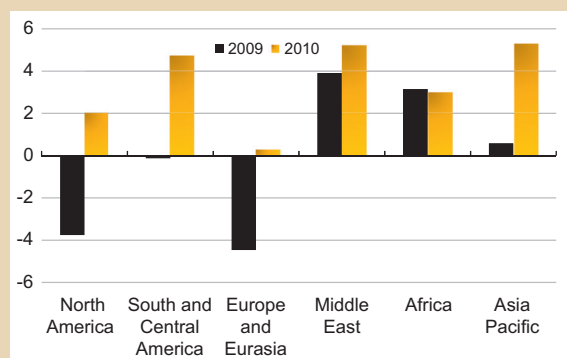
Source: British Petroleum, *Statistical Review of World Energy 2011*.

Figure 4  
**Global Proven Reserves to Oil Consumption<sup>1</sup>**  
 (Number of years)



Source: British Petroleum, *Statistical Review of World Energy 2011*.  
<sup>1</sup>Excluding Canadian oil sands from oil reserves.

Figure 3  
**Oil Consumption Growth by Region**  
 (Percent)



Source: British Petroleum, *Statistical Review of World Energy 2011*.

## Oil Will Remain a Major Primary Energy Source

While current projections suggest that supply conditions in the oil market are expected to remain tight in the medium term, there are indications that some relief may occur in the longer term. There are two key reasons. First, oil reserves remain significant, indicating that new oil discoveries and technology have continued to evolve at a rapid pace. Particularly telling is that despite the rapid increase in oil demand over the past decade, the ratio of proven reserves to oil consumption has actually increased (Figure 4). Second, the prospect of high oil prices is

inducing oil companies to invest in upstream activities—which should lead to increases in production capacity in the long term. More specifically, the IEA estimates that oil companies plan to increase their investment in upstream activities by 10–20 percent in 2011 relative to 2010, with 2010 already having seen about 10 percent growth.<sup>4</sup>

## Natural Gas

In 2011, global supply met the increase in demand, with some localized shocks. Surplus gas production in 2009 and strong growth of 7.3 percent in 2010 were adequate to meet the incremental demand of about 220 billion cubic meters (bcm) in 2010.<sup>5</sup> World natural gas consumption increased to an estimated 3,169 bcm in 2010, rebounding by 7.4 percent (after having dropped by 2.5 percent in 2009)—the highest increase since 1984. Power generation remains the main driver behind gas demand growth. Liquefied natural gas (LNG) production—mainly in Qatar—increased by 60 bcm, and U.S. shale gas production jumped by an estimated 50 bcm in 2010. A series of events in early 2011 collectively affected both supply and demand; additional supplies from Russia and

<sup>4</sup> IEA, *Medium-Term Oil and Gas Markets 2011*.

<sup>5</sup> British Petroleum, *Statistical Review of World Energy 2011*.



Table 3

## Proven Reserves and Producers of Gas

	Proven Reserves			Top 10 Gas Producers					
	Trillion cubic meters	Share of total	Billion tons	2000	2008 (Billion cubic meters)	2009	2010	Change in 2010 (Percent)	
Russia	44.8	23.9	33.2	United States	543	571	583	611	4.8
Iran	29.6	15.8	21.9	Russia	529	602	528	589	11.6
Qatar	25.4	13.6	18.8	Canada	182	176	164	160	-2.5
Turkmenistan	8.0	4.3	5.9	Iran	60	116	131	139	5.6
Saudi Arabia	8.0	4.3	5.9	Qatar	24	77	89	117	30.7
United States	7.7	4.1	5.7	Norway	50	99	104	106	2.6
United Arab Emirates	6.0	3.2	4.4	China	27	80	85	97	13.5
Venezuela	5.5	2.9	4.1	Saudi Arabia	50	80	79	84	6.9
Nigeria	5.3	2.8	3.9	Indonesia	65	70	72	82	14.0
Algeria	4.5	2.4	3.3	Algeria	84	86	80	80	1.0
Total World	187.1	100.0	138.6	Total World	2,413	3,062	2,976	3,193	7.3

Source: British Petroleum, *Statistical Review of World Energy 2011*.

Algeria compensated for Libya's disruption of pipeline and LNG exports to Italy, and the closure of nuclear power plants in Japan and Germany translated into additional demand for gas.

Shale gas extraction has so far been confined to the United States, but there is growing interest in exploiting unconventional sources of gas across the globe. A number of countries have started exploring potentially large shale gas resources, including Australia, Austria, Canada, China, Germany, Hungary, India, Poland, Saudi Arabia, and the United Kingdom. Moreover, empirical research suggests that shale gas production may start to affect gas prices and may explain the recent decoupling of oil and natural gas prices in the United States.<sup>6</sup>

## Global Reserves Are Ample

Proven gas reserves at end-2010 are estimated at 187.1 trillion cubic meters (tcm) globally (Table 3). The MENA region has 40 percent of the world's proven gas reserves, with scope for new discoveries. Iran, Qatar, and Russia hold more than half of global proven gas reserves. At current global

production rates, today's worldwide proven reserves (conventional and unconventional) could sustain current production for 58 years,<sup>7</sup> whereas the combined resources—the recoverability of which is more uncertain—equal 250 years of current production.

Global supply will keep up with demand, while the Middle East continues to consume most of its production. Global gas supply is expected to comfortably cover world gas demand growth of 2.4 percent per year during 2010–16.<sup>8</sup> The power sector will remain the leading driver of gas demand over the medium term, as displacement of coal-fired power by gas-fired power in the medium to long term is the most cost-effective way of reducing carbon dioxide emissions globally.<sup>9</sup> China will be the largest consumer.<sup>10</sup> Non-OECD markets will be a main driver behind this demand growth, but will also contribute 90 percent of additional

<sup>7</sup> IEA, *World Energy Outlook*, 2009.

<sup>8</sup> IEA, *Medium-Term Oil and Gas Markets*, 2011.

<sup>9</sup> Massachusetts Institute of Technology (MIT), *The Future of Natural Gas—An Interdisciplinary MIT Study*, 2010. The power sector is sensitive to price variations, and as gas-fired plants are competing in the margin with coal-fired plants, they react very rapidly to price changes.

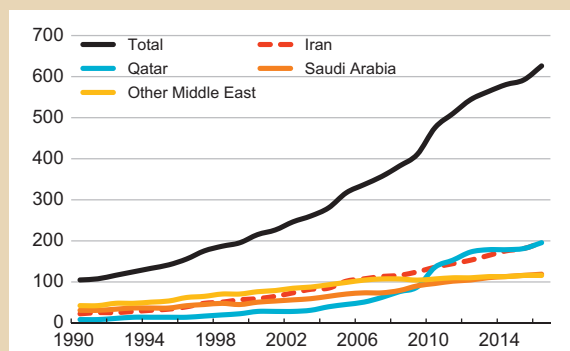
<sup>10</sup> The stated objectives of China's 12th Five-Year Plan, if met, would result in a dramatic increase in gas demand to 260 bcm from 107 bcm today.

<sup>6</sup> See Reinout De Bock and José Gijón, 2011, *Will Natural Gas Prices Decouple from Oil Prices Across the Pond?* IMF Working Paper 11/143.

Figure 5

**Middle East Natural Gas Production**

(Billion cubic meters)



Source: U.S. Energy Information Administration.

supplies. The Middle East will represent 20 percent of the additional consumption of gas, which is projected to increase from an estimated 370 bcm in 2010 to 470 bcm by 2016.

On the supply side, the Middle East region will be the second-largest contributor, adding 110–150 bcm of capacity, expected to come online between 2011 and 2016 (Figure 5).<sup>11</sup> The strongest growth will come from Qatar (mainly in 2011), Iran, and Saudi Arabia, but in the latter two, increased production will be largely used for domestic consumption. Whereas the region as a whole will remain a net exporter of gas over the medium term, some countries such as Kuwait, Oman, and the United Arab Emirates will continue to import gas.

<sup>11</sup> The IEA projects 111 bcm, whereas the U.S. Energy Information Administration projects 150 bcm.

Table 4

**Major Gas Consumers in the Middle East**

(Billion cubic meters, 2010)

	Consumption	Net	
		Exporter (+)/ Importer (-)	Production
Iran	136.9	1.6	138.5
Kuwait	14.4	-2.8	11.6
Qatar	20.4	96.3	116.7
Saudi Arabia	83.9	0.0	83.9
United Arab Emirates	60.5	-9.5	51.0
Other Middle East	49.4	9.6	59.0
Total in Middle East	365.5	95.2	460.7

Source: British Petroleum, *Statistical Review of World Energy 2011*.

Although countries in the Middle East (mainly Qatar) and North Africa (such as Algeria, Egypt, Libya, and Yemen) were net exporters of gas in 2010, most of the gas produced in the Middle East is consumed there (Table 4). Saudi Arabia is neither an exporter nor an importer of natural gas. Iran, the second-largest holder of proven gas reserves in the world, consumes nearly all its current annual production domestically. Other countries in the Middle East have been developing their import capacity with pipelines from Turkmenistan to Iran, LNG import terminals in Dubai and Kuwait, and interregional pipelines from Qatar to Oman and the Emirates.<sup>12</sup>

<sup>12</sup> U.S. Energy Information Administration, *International Energy Outlook—Natural Gas 2010*.

## 1. MENAP OIL EXPORTERS: BENEFITING FROM HIGH OIL PRICES AMID GROWING RISKS

Selected Economic Indicators: MENAP Oil Exporters<sup>1</sup>

	Average						Projections	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>Real GDP Growth</b>	<b>5.6</b>	<b>5.9</b>	<b>6.8</b>	<b>4.0</b>	<b>1.8</b>	<b>4.4</b>	<b>4.9</b>	<b>3.9</b>
<i>(Annual change; percent)</i>								
Algeria	4.5	2.0	3.0	2.4	2.4	3.3	2.9	3.3
Bahrain	6.0	6.7	8.4	6.3	3.1	4.1	1.5	3.6
Iran, I.R. of	5.5	5.8	10.8	0.6	3.5	3.2	2.5	3.4
Iraq	...	6.2	1.5	9.5	4.2	0.8	9.6	12.6
Kuwait	7.1	5.3	4.5	5.0	-5.2	3.4	5.7	4.5
Libya	4.3	6.7	7.5	2.3	-2.3	4.2	...	...
Oman	3.3	5.5	6.7	12.9	1.1	4.1	4.4	3.6
Qatar	8.7	26.2	18.0	17.7	12.0	16.6	18.7	6.0
Saudi Arabia	4.0	3.2	2.0	4.2	0.1	4.1	6.5	3.6
Sudan	6.3	9.4	10.2	3.7	4.6	6.5	-0.2	-0.4
United Arab Emirates	8.1	8.8	6.5	5.3	-3.2	3.2	3.3	3.8
Yemen	4.5	3.2	3.3	3.6	3.9	8.0	-2.5	-0.5
<b>Consumer Price Inflation</b>	<b>5.4</b>	<b>8.8</b>	<b>11.2</b>	<b>14.9</b>	<b>5.9</b>	<b>6.7</b>	<b>11.1</b>	<b>7.7</b>
<i>(Year average; percent)</i>								
Algeria	2.3	2.3	3.6	4.9	5.7	3.9	3.9	4.3
Bahrain	0.7	2.0	3.3	3.5	2.8	2.0	1.0	1.8
Iran, I.R. of	13.5	11.9	18.4	25.4	10.8	12.4	22.5	12.5
Iraq	5.6	53.2	30.8	2.7	-2.2	2.4	5.0	5.0
Kuwait	1.7	3.1	5.5	10.6	4.0	4.1	6.2	3.4
Libya	-3.3	1.4	6.2	10.4	2.8	2.5	...	...
Oman	0.1	3.4	5.9	12.6	3.5	3.3	3.8	3.3
Qatar	3.5	11.8	13.8	15.0	-4.9	-2.4	2.3	4.1
Saudi Arabia	-0.1	2.3	4.1	9.9	5.1	5.4	5.4	5.3
Sudan	7.6	7.2	8.0	14.3	11.3	13.0	20.0	17.5
United Arab Emirates	3.6	9.3	11.1	12.3	1.6	0.9	2.5	2.5
Yemen	11.6	10.8	7.9	19.0	3.7	11.2	19.0	18.0
<b>General Government Fiscal Balance</b>	<b>6.0</b>	<b>13.9</b>	<b>11.9</b>	<b>13.0</b>	<b>-1.6</b>	<b>2.9</b>	<b>4.6</b>	<b>3.6</b>
<i>(Percent of GDP)</i>								
Algeria	6.6	13.5	4.4	7.7	-6.8	-1.1	-2.6	-0.9
Bahrain <sup>2</sup>	1.4	2.7	1.9	4.9	-6.6	-7.8	-7.7	-7.1
Iran, I.R. of <sup>2</sup>	2.9	2.3	7.4	0.7	1.0	1.7	2.4	1.0
Iraq	...	15.5	12.4	-1.3	-22.1	-9.1	-8.7	-7.9
Kuwait <sup>2</sup>	27.2	35.3	39.0	19.6	26.7	22.6	23.6	23.6
Libya	12.0	33.5	29.7	25.9	5.4	8.7	...	...
Oman <sup>2</sup>	8.4	13.8	11.1	13.8	-1.2	5.0	10.9	8.7
Qatar	8.7	8.5	10.9	10.0	15.3	2.9	7.7	3.8
Saudi Arabia	7.7	24.6	15.8	34.4	-4.6	6.7	9.4	8.0
Sudan	-0.6	-4.3	-5.5	-1.5	-4.8	-3.2	-2.8	-3.0
United Arab Emirates <sup>3</sup>	4.5	18.1	15.4	16.5	-12.6	-1.1	5.8	4.8
Yemen	0.0	1.2	-7.2	-4.5	-10.2	-4.0	-7.1	-6.1
<b>Current Account Balance</b>	<b>11.2</b>	<b>21.9</b>	<b>17.6</b>	<b>18.7</b>	<b>4.1</b>	<b>10.6</b>	<b>15.0</b>	<b>12.4</b>
<i>(Percent of GDP)</i>								
Algeria	14.0	24.7	22.8	20.2	0.3	7.9	13.7	10.9
Bahrain	5.0	13.8	15.7	10.2	2.9	4.9	12.6	13.7
Iran, I.R. of	5.1	9.3	10.5	6.5	3.0	6.0	7.8	7.1
Iraq	...	19.0	12.5	19.2	-13.8	-3.2	-0.9	-1.2
Kuwait	26.2	44.6	36.8	40.5	23.6	27.8	33.5	30.4
Libya	18.8	51.0	43.2	38.9	15.9	14.4	...	...
Oman	9.4	15.4	5.9	8.3	-1.3	8.8	14.5	12.9
Qatar	25.0	25.1	25.4	28.7	10.2	25.3	32.6	30.1
Saudi Arabia	13.6	27.8	24.3	27.8	5.6	14.9	20.6	14.2
Sudan	-9.5	-15.5	-12.7	-9.4	-13.9	-6.7	-7.3	-7.6
United Arab Emirates	7.7	15.3	6.0	7.4	3.0	7.0	10.3	9.2
Yemen	5.3	1.1	-7.0	-4.6	-10.2	-4.5	-5.3	-4.7

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

<sup>1</sup>2011 and 2012 data exclude Libya.<sup>2</sup>Central government.<sup>3</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.



## 2. MENAP Oil Importers: Meeting Social Needs, Restoring Economic Confidence

*The political and economic transformations in several MENAP countries are advancing slowly and are expected to extend well into 2012. These, together with a weakening in the global economy, have increased economic uncertainty in the region, leading to a sharp economic downturn and strains on macroeconomic stability. Governments have attempted to cushion the impact of the downturn, mainly through an expansion in untargeted subsidies and transfers, but they face limited fiscal room and rising borrowing costs. Accordingly, a difficult period lies ahead during the remainder of 2011 and in 2012, as economic recovery is expected to be a drawn-out process. Over the long term, leveraging the strengths of the region, while addressing weaknesses through a comprehensive reform agenda, can help it achieve higher and more inclusive growth—improving access to economic opportunities and providing better standards of living for its peoples.*

### Sharp Downturn to Last through 2012

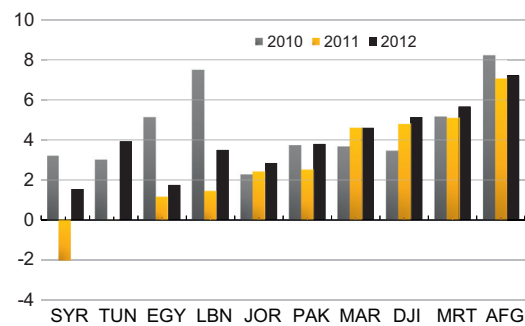
Economic risks for several MENAP oil importers have increased as the uncertainties inherent in political transition persist and social unrest continues. Transition governments in Egypt and Tunisia are in the process of defining a road map toward political and economic reform, while the conflict in Syria continues. There has also been social unrest in Morocco and Jordan, and, to a lesser extent, in Mauritania. Together with a worsening global economic outlook, especially in Europe, these circumstances have contributed to a sharp drop in investment and tourism activity. Average real GDP growth among MENAP oil importers is projected to drop below 2 percent in 2011, down from 4⅓ percent achieved in 2010.

The decline in tourism and investment has resulted in a severe economic downturn in Egypt, Jordan, Lebanon, Syria, and Tunisia in 2011 (Figures 2.1 and 2.2). Economic activity is also weak in Pakistan, a result of devastating floods and recent urban riots. Unemployment has increased with the economic slowdown, especially in Egypt and Jordan, and may increase further. In contrast, Afghanistan, Djibouti, Mauritania, and Morocco are growing robustly, with output projected to expand by 5 percent in 2011,

Prepared by Padamja Khandelwal with input from country teams.

Figure 2.1

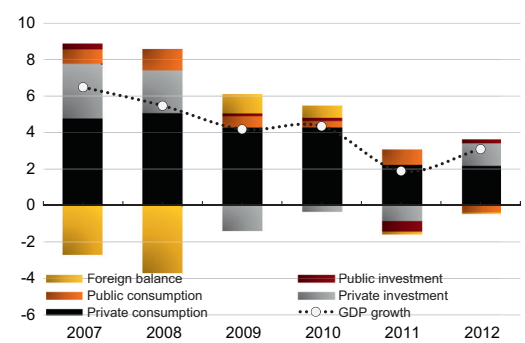
#### Real GDP Growth Stalls in 2011 (Real GDP, annual percent change)



Sources: National authorities; and IMF staff calculations.

Figure 2.2

#### Private and Public Investment Have Declined (Contribution to real output growth, percent)



Sources: National authorities; and IMF staff calculations.

**Box 2.1**

**Mitigating the Impact of High Energy Prices: Oil Importers as Commodity Exporters**

Mining plays an important role in the economies of several MENAP oil importers. Exports of nonfuel commodities are significant for Jordan (phosphates and potash), Morocco (phosphates), and Mauritania (iron ore, copper, and gold)—ranging from 20 percent of total exports to as much as 85 percent (Figure 1).

In recent years, there has been significant comovement in oil and commodity metals prices. For instance, during 2005–08, oil prices and commodity metals prices increased by 85 percent and 70 percent, respectively. These increases are a result of strong global economic activity, particularly demand from the manufacturing sector.

**Impact on economic activity**

Mining production represents a large part of commodity exporters’ output, especially in Mauritania, where it accounts for nearly 15 percent of GDP. Consequently, higher commodity prices spur investments in the mining sector that help offset the drag on other sectors of the economy.

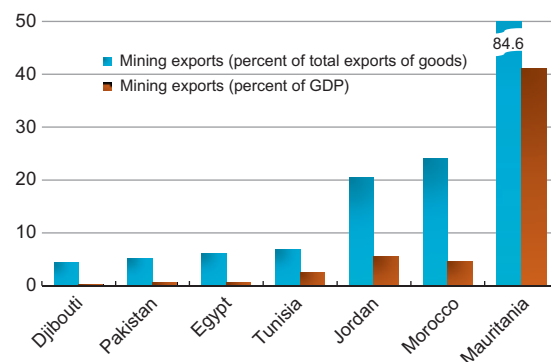
During recent boom episodes, increases in the fuel-related import bill were offset by increasing mining production and rising commodity exports. Hence, increases in commodity exports during 2005–08 were 1½ times as high as additional oil imports for Morocco and four times as high for Mauritania (Figure 2).

The recently observed strong, positive correlation between oil and metals prices may not always hold. Accordingly, any future decoupling of oil and metals prices could make these oil-importing commodity exporters vulnerable to a rise in oil prices.

Prepared by Amine Mati.

Figure 1

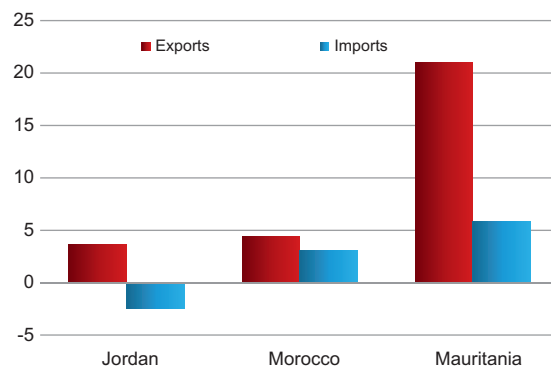
**Nonfuel Commodity Exports**  
(Percent, 2010)



Sources: National authorities; and IMF staff calculations.

Figure 2

**Change in Mining Exports and Fuel Imports**  
(Percent of GDP, 2005–08)

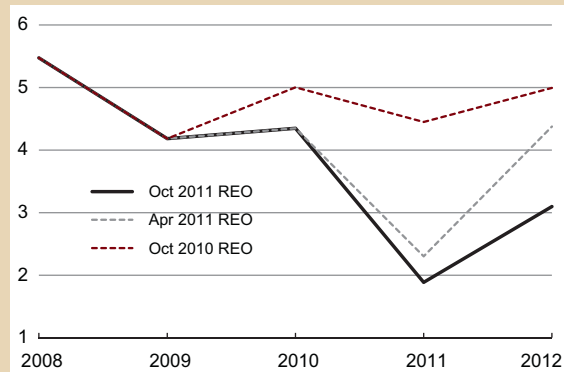


Sources: National authorities; and IMF staff calculations.

albeit below long-term trends and accompanied by continued high unemployment. Rapid growth in Afghanistan is a result of increased security spending and construction activity, while high commodity prices and robust construction have provided a boost to economic activity in Mauritania (Box 2.1).

An uncertain political and economic environment and weaknesses in advanced economies will weigh on the region’s growth prospects, leading to a much weaker recovery in 2012 than anticipated previously. Recent IMF growth forecasts have been revised downward, particularly in Egypt and Syria

Figure 2.3  
**Real GDP Growth Forecasts Revised Downward**  
(Annual percent change)



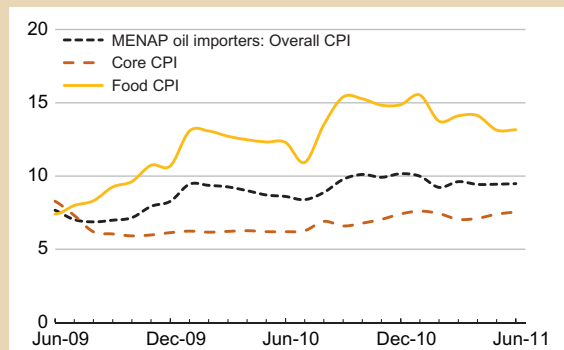
Sources: National authorities; and IMF staff calculations.

(Figure 2.3). Strong real sector linkages between Europe and the MENAP oil importers imply that a slowdown in the former will likely have a significant adverse impact on growth rates in the latter (Box 2.2). Thus, growth in 2012 is projected to be below long-term trends, with output falling below potential across the region.

## Inflation Remains Stable as Food and Fuel Subsidies Rise

Inflation has been stable thus far in 2011, as the expansion of domestic food and fuel subsidies has muted the impact of rising global food and

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



Sources: Haver Analytics; and national authorities.

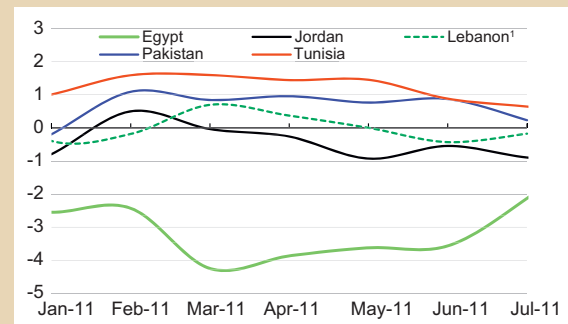
energy prices (Figure 2.4). With aggregate demand weak, there is limited evidence of second-round inflation effects. Monetary authorities have largely maintained an accommodative stance; real policy rates are close to zero or slightly negative in Jordan, Lebanon, Pakistan, and Tunisia and significantly below zero in Egypt (Figure 2.5).

Moderating food and fuel prices and continued weak aggregate demand will exercise a dampening effect on inflation in 2011–12, although wage increases, recently granted in the public sector in several countries, could filter through to the private sector and result in inflationary pressures as the economy recovers. In some countries, inflation will remain high in 2012 because of domestic factors: scaling back of commodity subsidies in Mauritania, and structural factors and entrenched expectations of high inflation in Egypt and Pakistan.

## External Balances Are Worsening

External current account balances are deteriorating for MENAP oil importers, largely the effect of higher food and fuel prices and declines in tourism. With their significant dependency on oil imports (as a share of GDP), a rise in global fuel prices increases import costs in these countries much more than in other countries (Figure 2.6). Thus, Djibouti, Lebanon, Jordan, Mauritania,

Figure 2.5  
**Real Policy Interest Rates Near Zero**  
(Percent)



Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Average deposit rates.

**Box 2.2**

**Global Linkages and Regional Spillovers from the Slowdown in Europe**

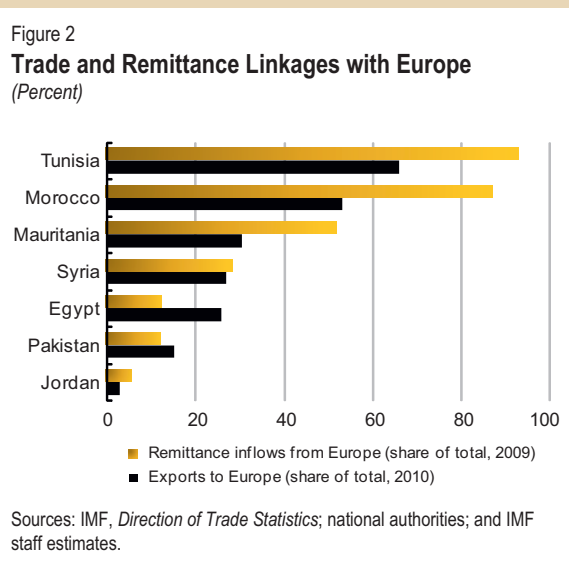
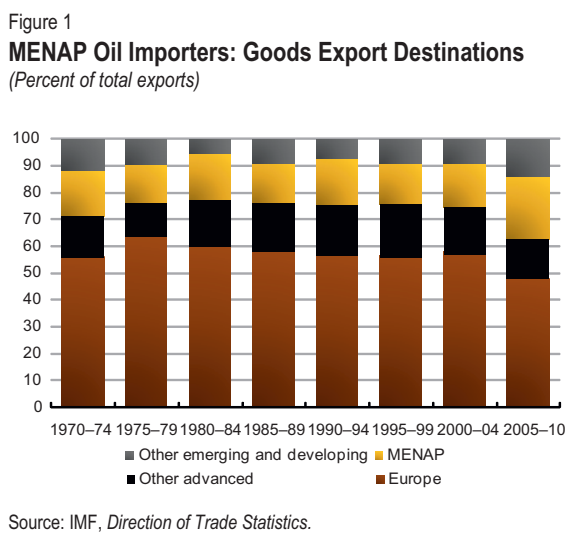
MENAP oil-importing countries weathered the 2008–09 global financial crisis reasonably well. Their low degree of integration with international capital markets and small exposure to structured financial products—combined with positive spillovers from fiscal expansions in neighboring oil-exporting countries—helped offset the impact of the global slowdown. This positive outcome occurred notwithstanding declines in remittance inflows and tourism receipts in some countries with close links to Europe, particularly Morocco and Tunisia. Likewise, financial market tremors prompted by debt problems in southern Europe in early 2010 had only a limited impact on the region, relative to others with greater financial linkages.

**Possible risks ahead**

Softer global growth and the fallout from the euro area sovereign debt crisis are taking their toll on European economic activity, with growth in the European Union set to slow from 1.7 percent this year to 1.4 percent in 2012, the euro area slowing more sharply from 1.6 percent to 1.1 percent, and risks tilted to the downside. A broadening or persistence of the current European sovereign debt crisis over the medium term, giving rise to a growth slowdown in Europe and declining oil prices, is likely to result in large negative spillovers for MENAP. While oil importers would generally benefit from a lower oil import bill, evidence suggests that the net effect of declining oil prices could be negative in some countries, if remittances or foreign direct investment from neighboring oil exporters were also to be substantially scaled back.<sup>1</sup> As described below, given the strong real sector links with Europe, especially for the Maghreb countries, and the large presence of European banks in some MENAP countries, the contagion could be significant.

**MENAP linkages with Europe**

As MENAP oil importers’ economies are closely linked to Europe, these countries are likely to be adversely affected by the slowdown in European economic activity via trade, investment, and remittance channels. Reflecting



Prepared by Christine Ebrahimzadeh and Harald Finger.

<sup>1</sup> See Tobias Rasmussen and Agustín Roitman, 2011, “Oil Shocks in a Global Perspective: Are They Really That Bad?” IMF Working Paper 11/194.



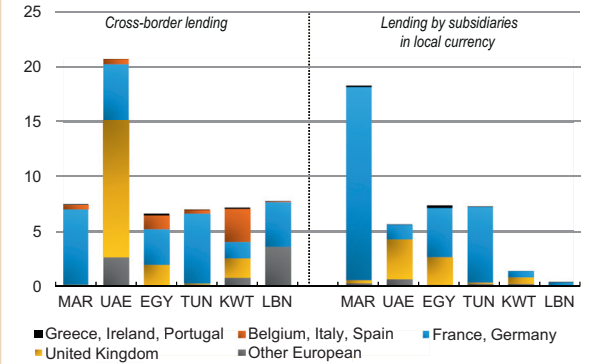
**Box 2.2 (concluded)**

geographical proximity and close historical ties, MENAP oil importers' exports have mainly been oriented toward Europe, which has, on average, accounted for some 50–60 percent of those countries' total exports since the 1970s (Figure 1).

Evidence points to the particularly significant reliance of the Maghreb on Europe through various channels—Morocco and Tunisia, most notably, depend on Europe for about 90 percent of their total remittance inflows (Figure 2). In addition, the Maghreb depends on Europe as a destination for about 60 percent of its exports, as the source for 80–90 percent of its tourism revenues, and for about 80 percent of its total foreign direct investment.

These real economic spillovers and links would likely outweigh any adverse impact on the region from financial channels, which—barring a major adverse shock to the European financial sector—are generally limited. Nonetheless, a marked spillover of the crisis into the core euro area and global financial markets could have repercussions for the MENAP region, with particular contagion risks for economies that are dependent on foreign financing and that have financial links to Europe. European banks have a sizable presence in MENAP, through locally incorporated subsidiaries as well as cross-border lending (Figure 3). Thus, subsidiaries of banks from core Europe are relatively large in Morocco, Tunisia, and Egypt and could suffer if the confidence of local depositors were shaken. In addition, cross-border lending by banks from core Europe is equivalent to 5–7 percent of GDP for some countries; this could be affected in the event of a renewed bout of global deleveraging.

**Figure 3**  
**European Bank Presence**  
(Percent of GDP, March 2011)



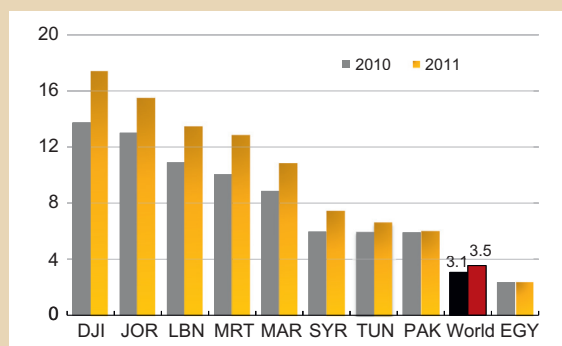
Sources: Bank for International Settlements; national authorities; and IMF staff calculations.

and Morocco, the most oil-import-dependent economies in the region, are seeing deterioration in their oil import bills of more than 2 percent of GDP in 2011. Other countries are seeing smaller

increases in import costs, because of weaker economic activity and lower oil intensity (Pakistan) or sizable domestic oil production (Egypt, Syria, Tunisia). This higher import bill is partly mitigated in some countries by increased mining exports (Box 2.1).

Figure 2.6

**Oil Import Bills Rising**  
(Percent of GDP, 2010–11)



Source: IMF, *World Economic Outlook*.

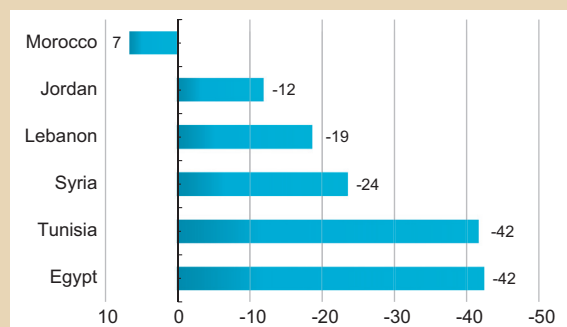
In the services sector, regional social disruptions resulted in double-digit declines in tourism arrivals in Egypt, Jordan, Lebanon, Syria, and Tunisia in the first five months of the year (Figure 2.7). Remittances have remained robust in most countries, except in Tunisia, where large numbers of workers have returned from conflict-ridden Libya.

Concurrently, the heightened uncertainty has led to a significant decline in capital inflows and put pressure on external reserves in the hardest-hit countries. Access to international capital markets has contracted sharply, with international issuance of securities declining by 40 percent during the first

Figure 2.7

**MENAP Oil Importers Tourism Activity**

(Jan–May 2011, percent change over same period of the previous year)

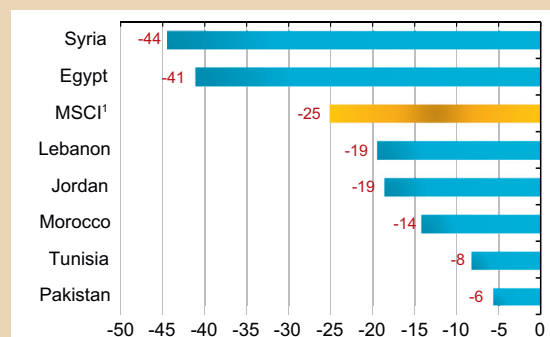


Source: United Nations World Tourism Organization, *World Tourism Barometer*.

Figure 2.9

**Stock Market Indices Lower**

(Percent change from Jan 10, 2011 to Sep 26, 2011)

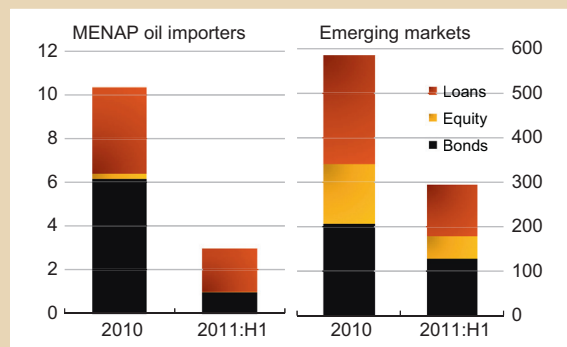


Source: Bloomberg.  
'Emerging markets index.

Figure 2.8

**International Capital Market Issuance**

(Billion U.S. dollars)

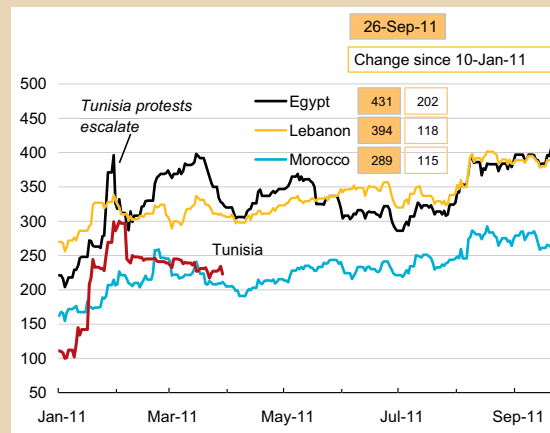


Source: Dealogic.

Figure 2.10

**Sovereign Bond Spreads Higher**

(Basis points)



Sources: Bloomberg; and Markit.

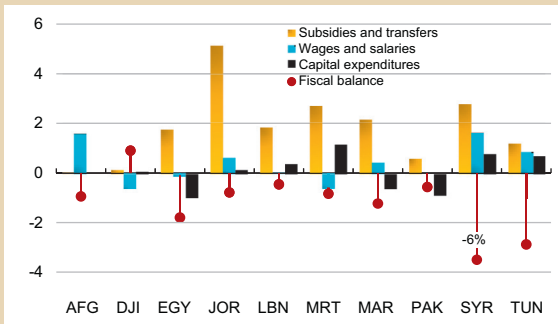
half of 2011, compared to an increase of almost 17 percent for emerging markets as a whole (Figure 2.8). Foreign direct investment (FDI) and portfolio inflows have also declined, especially in Egypt. The weakening in external flows is reflected in a fall of nearly 40 percent in foreign exchange reserves in Egypt, and of 5–10 percent in Jordan, Syria, and Tunisia. In Pakistan, strong exports and remittances have offset capital outflows. External financing needs—defined as the sum of current account deficits and external amortization—are large in the middle-income oil importers (especially Egypt and Lebanon) and are projected to reach US\$50 billion a year in 2011–12.

**Financial Markets Have Taken a Hit**

Stock markets in Egypt and Syria have declined markedly since earlier this year, reflecting the greater economic downturn and political uncertainty in these countries (Figure 2.9). Sovereign bond and CDS spreads have also widened, making it more costly for governments to borrow (Figure 2.10). Concerns over governance and asset quality have led authorities in Afghanistan to place the largest private bank (Kabul Bank) in receivership. Banks in Mauritania and Morocco have seen a small impact

Figure 2.11

**Higher Expenditures on Subsidies and Transfers**  
(Percent of GDP, 2011 versus 2010)



Sources: National authorities; and IMF staff calculations.

on asset quality with increases in nonperforming loans due to the downturn; balance sheets can be expected to deteriorate in Egypt and Tunisia. In some countries, the euro area turmoil could have an adverse impact, as European banks have a large presence (Box 2.2).

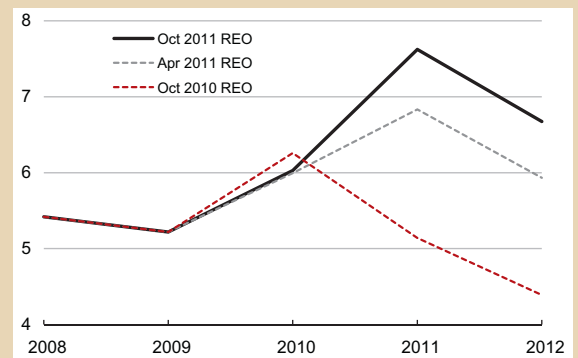
**Spending Escalates with Universal Subsidies Rising Sharply**

In response to growing social unrest, the economic downturn, and higher commodity prices, governments in the region have significantly expanded subsidies and transfers (Box 2.3 and Figure 2.11). These are high, exceeding 10 percent of GDP in Egypt, and more than 5 percent of GDP in most other countries. The increases have been only partially compensated for by cuts in expenditure in some countries (Egypt, Jordan, Mauritania, Morocco, Pakistan). Finally, public-sector wage bills have increased, though to a lesser extent, especially in Afghanistan, Egypt, Jordan, Morocco, Syria, and Tunisia.<sup>1</sup>

<sup>1</sup> The increases in public-sector wages announced earlier this year in Egypt are reflected only in FY 2011/12 owing to delayed implementation.

Figure 2.12

**Fiscal Deficit Forecasts Revised Up**  
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.

Recent studies illustrate that the bulk of the subsidies benefit the wealthy (Box 2.4).<sup>2</sup> Apart from the productive inefficiency of fuel subsidies, the relatively low marginal propensities to consume among the wealthy imply that subsidies have limited effectiveness in boosting consumption to help cushion the downturn.

IMF projections of fiscal deficits during 2011–12 have been successively revised upward, a consequence of downward revisions in growth and expansions in fiscal spending and tax exemptions (Figure 2.12). In 2012, a modest consolidation is envisaged as the regional political situation begins to stabilize and growth picks up. Fiscal financing needs—defined as the sum of the overall deficit before grants and external amortization—are estimated to be approximately US\$50 billion a year in the middle-income oil importers, with Egypt accounting for nearly half the total amount.

**Fiscal Deficits Increasingly Financed from Domestic Sources**

Governments in many MENAP oil importers are increasingly financing fiscal imbalances from

<sup>2</sup> See IMF, April 2011 *Regional Economic Outlook: Middle East and Central Asia*.

## Box 2.3

**MENAP Oil Importers: Domestic Fuel Pricing**

As energy prices have increased worldwide in 2011, many MENAP oil-importing countries have limited the pass-through to domestic fuel consumers, choosing instead to increase subsidies or reduce taxes (see table).<sup>1</sup> In fact, the pass-through in 2011 was not only limited but actually negative in several cases; that is, as international oil prices increased, domestic retail prices decreased.

Pass-through in 2011 has also declined dramatically relative to the substantial pass-through experienced in the previous commodity price boom (mid-2006 to mid-2008). This decline is indicative of a reversal of the commodity-pricing reforms introduced in recent years. As a result, not only is the average MENAP domestic fuel price below the international fuel retail price, but the gap between them has widened since 2009, raising national fuel subsidy costs by 0.6–2 percent of GDP (see figure).

Some countries in the region had previously put in place automatic fuel-pricing mechanisms, but these are largely inoperative at present (particularly in Jordan and Mauritania). Research on country experiences shows that keeping prices liberalized has been the most robust pricing mechanism for preventing a resurgence of subsidies, while well-targeted safety nets continue to be the best means of providing for the needy.<sup>2</sup>

**Fuel Price Pass-Through**

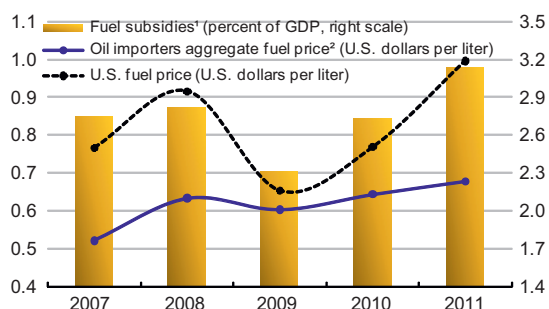
(Percent; end-of-period prices)

	Regular gasoline		Diesel	
	2006:Q2– 2008:Q2	2010:Q4– 2011:Q2	2006:Q2– 2008:Q2	2010:Q4– 2011:Q2
Egypt	56	0	22	0
Jordan	55	-26	123	-23
Lebanon	124	-9	119	109
Mauritania	91	14	30	14
Morocco	40	0	-18	0
Pakistan	50	56	38	0
Syria	63	0	57	-59

Sources: National authorities; and IMF staff calculations.

**Fuel Prices and Subsidies**

(Period average prices of regular unleaded gasoline and diesel; PPP GDP weighted for aggregation)



Sources: National authorities; U.S. Energy Information Administration; and IMF staff calculations.

<sup>1</sup>Includes Egypt, Jordan, Lebanon, Mauritania, Morocco, and Tunisia.

<sup>2</sup>Includes Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, and Syria.

Prepared by Jaime Espinosa Bowen.

<sup>1</sup> Pass-through is defined here as the ratio of the change in domestic retail fuel prices to the change in U.S. retail fuel prices, both measured in U.S. dollars. Retail fuel prices in the United States are typically used as a benchmark for tracking changes in international fuel costs, because of the liberalized U.S. pricing system. In recent years, the taxes included in U.S. retail prices have remained steady, at about US\$0.11 a liter.

<sup>2</sup> Taimur Baig, Amine Mati, David Coady, and Joseph Ntamungiro, 2007, "Domestic Petroleum Product Prices and Subsidies: Recent Developments and Reform Strategies," IMF Working Paper 07/71.

Box 2.4

**Who Benefits from Energy Subsidies? Evidence from Jordan and Mauritania**

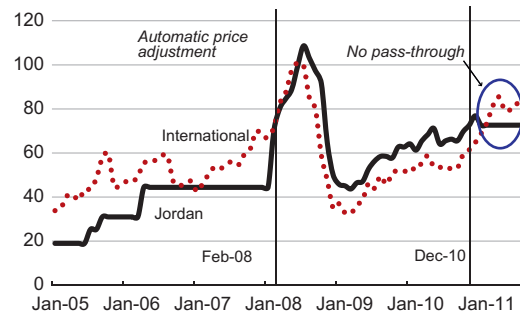
Amid heightened social and political tensions in the region, energy subsidies increased substantially in Jordan and Mauritania following the latest spike in international oil prices. In Jordan, fuel price subsidies are expected to increase from about ½ of 1 percent of GDP in 2010 to nearly 2 percent of GDP in 2011, reflecting the impact of higher international prices on existing liquefied petroleum gas subsidy schemes and the authorities’ decision in early 2011 to freeze fuel prices and stop implementing the monthly automatic adjustment pricing mechanism adopted in 2008 (Figure 1).

Similarly, in Mauritania, the government expanded price subsidies and transfers from 2¾ percent of GDP in 2010 to 5½ percent of GDP in 2011. More than half the increase came from natural gas, electricity, and fuel price subsidies.

Existing universal (untargeted) energy price subsidies disproportionately benefit the rich, who account for a relatively high share of national energy consumption. Analytical evidence from the 2008 household surveys in Jordan and Mauritania shows that

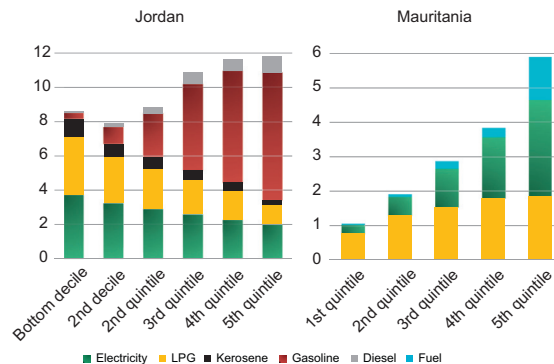
- Fuel subsidies represent close to 8 percent of budgetary expenditures in Mauritania and 6 percent in Jordan.
- The budget share of energy products is lower among poor households (Figure 2). Households in the lowest income groups consume almost no gasoline, and as income increases, the expenditure share of gasoline increases (it more than doubles in Jordan).
- Benefits from energy subsidies are pro-rich. Gains from energy subsidies are at present distributed inequitably among households, with the benefits proportional to the amount spent by each household on different energy products. Thus, the richest 20 percent of households capture 40 percent of the subsidy benefits in Jordan and 65 percent of the benefits in Mauritania. In contrast, the poorest 20 percent of households receive less than 7 percent of the subsidy benefits (Figure 3). As a result, fuel subsidies—aimed initially at preserving the purchasing power of the poor and the middle class—end up biased heavily in favor of rich households.

Figure 1  
**Domestic Diesel Prices in Jordan**  
(U.S. cents per liter)



Sources: Jordan Ministry of Energy and Mineral Resources; and U.S. Energy Information Administration.

Figure 2  
**Expenditure on Energy Products by Welfare Level**  
(Percent of total expenditure)



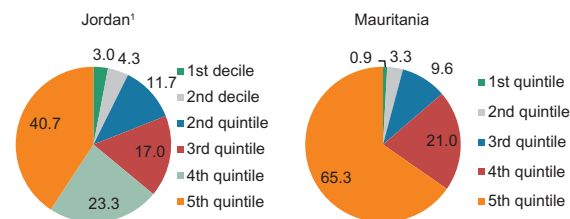
Source: IMF staff estimates based on information available in the 2008 household survey for Jordan and Mauritania.  
Note: Household welfare quintiles are based on household consumption per capita. LPG refers to liquefied petroleum gas.

Prepared by Moataz El-Said, Amine Mati, and Younes Zouhar.

**Box 2.4 (concluded)**

- Fuel subsidies are a costly mechanism for the provision of social assistance to lower-income households. For example, in Jordan, it costs the budget about JD 14 to deliver JD 1 in transfers, via fuel subsidies, to the bottom quintile of the country's income distribution. Similarly, in Mauritania, only UM 1 out of UM 24 spent on subsidies reaches the poor (the bottom two quintiles). For both countries, a random distribution of benefits would have been less costly and more effective in assisting the poor.

**Figure 3**  
**Share of Benefit from Energy Subsidies**



Source: IMF staff estimates based on information available in the 2008 household survey for Jordan and Mauritania.

<sup>1</sup>For Jordan, the distribution of gains accounts for both the direct and indirect effect of price subsidies. The latter refers to the impact of energy price subsidies on the price of other consumed goods and services that use energy in their production and distribution.

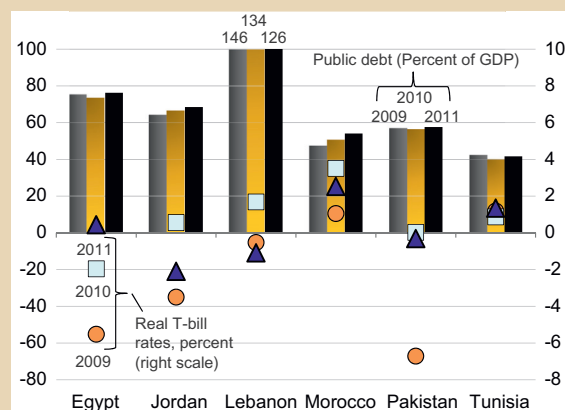
domestic banking systems. The overall fiscal deficit before grants is projected to exceed 8 percent of GDP in 2011, while grants have expanded only modestly (except in Jordan, which received additional grants of about 4½ percent of GDP this year), and borrowing costs in international markets have risen. As a result, governments in Egypt, Morocco, Pakistan, and Syria are relying heavily on domestic financing. In contrast, Djibouti, Mauritania, and Tunisia are relying on official external financing.

Even though nominal debt has risen, financial repression—as defined by high inflation and low or negative real interest rates—has helped to keep debt levels stable as the real value of domestic debt is being eroded in several countries (Figure 2.13). The excessive government reliance on domestic bank financing is squeezing the availability of credit to the private sector.

### The Road Ahead Is Challenging

The regional downturn has highlighted the challenge of preserving macroeconomic stability while maintaining social cohesion. In the near term, an expansionary fiscal stance is appropriate to mitigate the impact of the downturn, but limited

**Figure 2.13**  
**Public Debt Stable, Real Rates Close to Zero**



Sources: National authorities; and IMF staff calculations.

fiscal space, and efficiency and equity concerns, call for replacing universal subsidies with targeted social safety nets. Resources can then become available for critical investments in infrastructure and education, and to support much-needed reforms.

With respect to the medium term, defining a comprehensive macroeconomic policy framework and inclusive growth strategy—through a broad consultative process—can help policymakers and

stakeholders reach consensus on policy priorities, anchor expectations, and reduce economic uncertainty. Anchoring expectations by committing to medium-term fiscal consolidation now will also allow countries to maintain a countercyclical stance in the near term. This commitment should include concrete plans to unwind recent tax breaks and expenditure measures.

Similarly, the region's accommodative monetary policy stance remains broadly appropriate for the near term, in the face of below-trend growth and negative output gaps, moderating food and fuel prices, and the weakening global economy. As the economy recovers, however, monetary policy should normalize to prevent second-round inflation effects from recent wage increases and past increases in food prices. Policy rates may need to be raised sooner if international reserves continue to come under pressure in countries with fixed exchange rates; in Egypt, greater exchange rate flexibility may be warranted. Over the medium term, and depending on each country's specific circumstances, the monetary policy toolkit could be expanded by gradually moving away from the use of exchange rates as a nominal anchor. This movement would give monetary policy more room to maintain price stability, with exchange rates that can adjust in response to real shocks and help maintain competitiveness.

Downside risks from the external environment have increased sharply in recent months, as concerns have intensified over continuing financial sector weakness and sovereign debt sustainability facing advanced economies. Compared to expectations in spring 2011, a significantly higher likelihood is attached to further weakness in advanced economies' growth and to the unfolding of a tail event in Europe.<sup>3</sup> MENAP oil importers, especially in the Maghreb, would be affected by adverse developments in Europe (Box 2.2), as they would face contagion via real sector linkages in trade, tourism, FDI, and remittances; these effects would include higher costs of external financing. Financial sector spillovers have been

limited so far, but could come into play if the crisis spreads to countries in the core euro area. In the wake of the Arab Spring, most countries have already used their fiscal and international reserve buffers to respond to deteriorating economic conditions and have much less room remaining to respond to future shocks.

Nonetheless, the largest downside risks to MENAP oil importers at this juncture are the future of domestic policies and political uncertainty in some countries. Delays in stabilizing the political situation and implementing reforms will continue to adversely affect investor sentiment and growth while raising borrowing costs and public debt. On the upside, credible and timely elections in Egypt and Tunisia and the resolution of the conflict in Syria, together with early signaling of the commitment to comprehensive change in a transparent and credible manner, could have a large positive impact in the region.

## The Way Forward to Inclusive Growth

Maintaining macroeconomic stability and meeting the rising demands of the population will not be easy. Given the significant risks to the global recovery, rising borrowing costs in international markets, and declining capital inflows, some of the pressures can be alleviated through external and fiscal financing from official sources. Such support can help preserve reserve cushions against additional shocks, reduce pressure on domestic credit and interest rates, and mitigate budget pressures for social spending. Regional and international partners—such as the recent Deauville Partnership—can help formulate and implement a reform agenda through technical assistance, debt relief, and concessional financing.

Key components of the reform agenda are

*Labor markets.* Reducing rigidities in labor markets can help to create jobs and lower unemployment—which is particularly high among youth—in

<sup>3</sup> See IMF, September 2011 *World Economic Outlook*.

MENAP oil importers.<sup>4</sup> Reforming education systems will boost the pool of skilled workers demanded by the private sector and will enhance opportunities for investments in human capital, thereby aiding social mobility. Decreasing the regulatory and tax burden in product and labor markets and improving the quality of institutions and governance can help reduce the size of the informal economy and make growth more inclusive. Workers will thereby gain better social protection, benefits, and career prospects (Annex 2.1).

*Business environment and access to government services.* Improving the region's business environment will be important in reducing the costs of doing business and strengthening competitiveness.<sup>5</sup> To this end, it will be critical not only to improve the underlying legal framework, but also to narrow the gap between the legal framework and its implementation, so as to make access to government services more equal. Experience on the ground reveals significant variation in access to government services—for example, in Egypt it can take one-fifth of firms nearly six months to obtain an operating license, while others can do so in about two weeks (Figure 2.14 and Annex 2.2).

*Access to financial services and trade environment.* Improving corporate governance and disclosure and deepening capital markets will help businesses, especially small and medium-sized enterprises, to access credit and attract

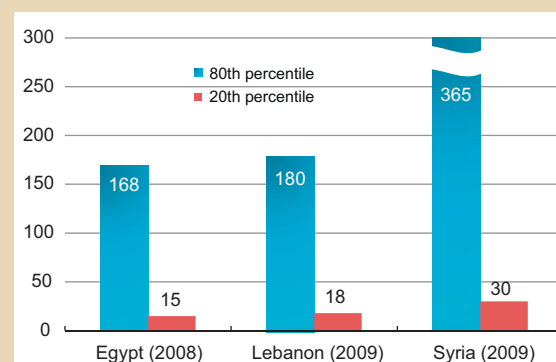
<sup>4</sup> See IMF, October 2010 and April 2011 *Regional Economic Outlook: Middle East and Central Asia*.

<sup>5</sup> See IMF, October 2010 *Regional Economic Outlook: Middle East and Central Asia*.

Figure 2.14

### All Firms Are Not Created Equal

(Days required for a firm to obtain an operating license)



Source: World Bank and European Bank for Reconstruction and Development, Business Environment and Enterprise Performance Survey (BEEPS).

investment.<sup>6</sup> There is also a need for the MENAP region to more fully exploit trade as an engine of growth, particularly by making trade regimes less restrictive. Efforts should continue to be made to diversify both the composition and destination of exports, for closer integration with faster-growing emerging markets.

Policymakers in the region need to better leverage its many assets: a dynamic young population, vast natural resources, a large regional market, and an advantageous geographic position with proximity to the euro area. Although the region faces difficulties in the short term, pursuing the reform agenda in a comprehensive way can help deliver higher standards of living and ensure more equal access to economic opportunities over the medium and long term.

<sup>6</sup> See IMF, May 2010 *Regional Economic Outlook: Middle East and Central Asia*.



## Annex 2.1. MENA Oil Importers: Addressing Informality and Promoting Inclusion

*The informal sectors of MENA oil importers are large, with negative implications for workers who enjoy little or no social protection and 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 skills upgrading, and create an environment that fosters a level playing field for all workers and firms.*

### How Large Are Informal Economies in the Region?

The informal sector is widespread across the oil-importing countries of MENA. The size of the informal economy in these countries (as a share of formal—officially measured—GDP) is large, also when compared with other emerging-market countries, with estimates ranging from 26 percent in Jordan and about 30 percent in Lebanon and Tunisia to about 34 percent in Egypt and Syria and 44 percent in Morocco (Figure 1).<sup>1</sup>

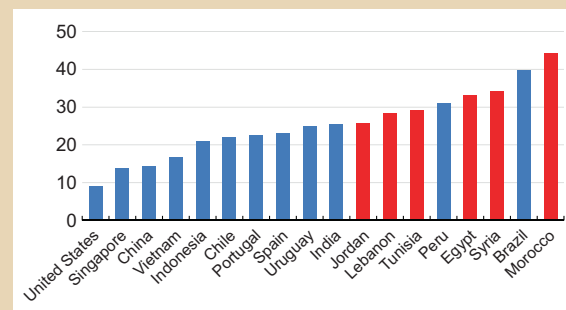
Such high levels of informality imply that many workers in MENA oil-importing countries have little or no social protection or employment benefits; these conditions undermine inclusiveness in the labor market. According to the most recent World Bank World Development Indicators,<sup>2</sup> 43 percent of the labor force in Egypt and

Prepared by Yasser Abdih and Jiwon Kim.

<sup>1</sup> The size of the informal economy is estimated using a Multiple Indicator–Multiple Cause (MIMIC) model, typically used in the literature (see Friedrich Schneider, Andreas Buehn, and Claudio Montenegro, 2010, “New Estimates for the Shadow Economies All Over the World,” *International Economic Journal*, 24(4), pp. 443–61). 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, and self-employment as a fraction of total employment; and measurable drivers used are indices capturing the regulatory burden in product and labor markets, the tax burden, and institutional quality.

<sup>2</sup> World Bank, World Development Indicators, September 2011.

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



Sources: For MENA and Latin American countries, authors' estimates; see note 1 in the text for methodology. For all other countries, estimates are as reported in Schneider and others and are for 2007.

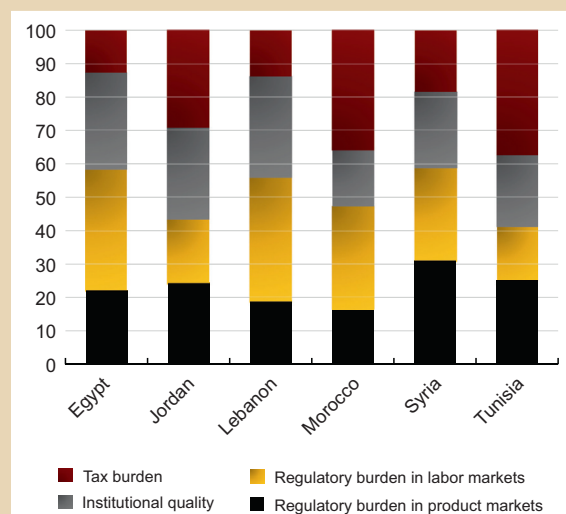
51 percent in Tunisia do not contribute to a retirement pension scheme. The numbers for Jordan and Lebanon are 62 percent and 67 percent, respectively. In Syria and Morocco, more than 70 percent of the labor force lacks pension coverage.

### What Drives Workers and Firms into the Informal Economy?

An excessive regulatory burden in product and labor markets, an excessive tax burden, and low quality of institutions and/or governance have all conspired to drive workers and firms in the region into the informal economy. Burdensome regulations in product markets—for example, in the form of lengthy, expensive, and complicated procedures to start and operate businesses; stringent labor regulations; high labor costs—such as minimum wages that exceed productivity, and high severance pay—and high taxes have increased the costs of

Figure 2

### Contribution of Determinants to the Size of the Informal Economy (Percent)



Sources: Authors' estimates. See also notes 1 and 3 in the text.

operating in the formal economy and hence have provided strong incentives for workers and firms to operate informally where they can avoid those costs.

These incentives are exacerbated when the quality of institutions is low. Weak institutional quality can take the form of low quality of public services or weak enforcement of regulations. For example, a judicial system that is weak in regard to resolving conflicts and enforcing contracts would reduce the benefits of belonging to the formal economy (or reduce the opportunity cost of informality) and hence would provide more incentives for workers and firms to operate informally. Weak institutional quality can also take the form of corruption, which could limit access to government services to a privileged few or advantage a few large “protected” or “connected” firms at the expense of many small ones (thereby reducing the benefits of formality). Corruption can also reduce the costs of informality—for example, informal firms can pay bribes to avoid large fines and penalties when detected. Either way, corruption increases the incentive to operate in the informal economy.

For the typical MENA oil-importing country, the regulatory burden in product markets, institutional quality, and the tax burden each explain, on average, about 24 percent of the overall size of the informal economy. Labor market rigidities contribute about 28 percent, on average (Figure 2).<sup>3</sup>

A comparison of drivers across countries indicates that the tax burden appears particularly important in Morocco and Tunisia (Figure 2). Both these countries have a high corporate tax rate, at about 30 percent, significantly above the average for developing countries of about 20 percent.<sup>4</sup> In Morocco, surveys of small firms reveal that a high tax burden is the most significant obstacle to formalization—over 50 percent of surveyed firms identify the level of taxes as the major reason for not registering their business.

Notable among other drivers, rigid labor market regulations appear to be particularly relevant in Egypt, Lebanon, Morocco, and Syria. And indeed, data from enterprise surveys indicate that worldwide, the percentage of firms identifying labor regulation as a major constraint on their business operations is, on average, greatest in these countries.<sup>5</sup> In Egypt, for example, termination regulations are overly stringent—severance payments for established employees (including the cost of advance notice requirements) amount to up to 132 weeks’ worth of their final salaries. In Syria and Morocco, these payments are equivalent to 80 weeks and 85 weeks, respectively<sup>6</sup>—much higher than the average 39 weeks in the East Asia and Pacific region and 26 weeks in the developed

<sup>3</sup> To compute the contribution of each causal variable (driver) to the size of the informal economy, we multiply the estimated coefficient of the causal variable from the MIMIC model by its value, and then divide by the estimated size of the informal economy. See also note 1.

<sup>4</sup> Roberta Gatti, Diego Angel-Urdinola, Joana Silva, and Andras Bodor, 2011, *Striving for Better Jobs: The Challenge of Informality in the Middle East and North Africa* (Washington: World Bank).

<sup>5</sup> See IMF, October 2010 *Regional Economic Outlook: Middle East and Central Asia*.

<sup>6</sup> World Bank, 2008, *Doing Business 2009* (Washington).

world.<sup>7</sup> Such high firing costs impede the expansion of formal employment and either force formal firms completely into the informal economy or drive them to hire workers informally so that these costs can be avoided.

## What Can Policymakers Do?

The barriers to business and labor formality are also barriers to inclusive growth. To remove them, policymakers should

*Improve the business climate and create a level playing field for everyone.* Policy should focus on improving the regulatory framework for businesses—by, among other measures, simplifying entry regulations and reducing compliance costs—while at the same time creating an environment that fosters a fairer enforcement of regulation. Such an approach not only is conducive to investment and growth, but also is inclusive as it allows all firms and workers to compete fairly.

*Reform labor market institutions.* Overly restrictive labor market regulations in the region impede job creation in the formal sector, contribute to driving firms and workers into the informal economy, and reinforce segmentation in the labor market, with the result that workers in the formal sector enjoy protection while informal workers have little or no protection at all. Policy should, therefore, aim at relaxing such rigid regulations to achieve more compliance and improved employment outcomes, while at the same time preserving the right to collective bargaining and developing effective social protection systems to better protect the income position and employment transitions of all workers.

*Reduce the tax burden.* Reducing corporate tax rates (where they are high) and simplifying tax regulations, for example, would increase formality and, in fact, could also increase tax revenues, as evidence from Egypt and Brazil suggests.<sup>8</sup> This can happen through three channels that increase the tax base. First, such reforms will provide incentives for existing informal firms to formalize and hence pay taxes. Second, existing formal firms will have greater incentive to invest and earn more income, which is also conducive to growth. Finally, 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 region typically target the unemployed, and rightly so, given that they are a vulnerable group in society. However, many informal workers are also vulnerable, and in certain cases they are even worse off than some of the unemployed. For example, micro evidence from Egypt suggests that unemployment tends to increase with household incomes.<sup>9</sup> This could suggest that individuals from relatively wealthy households have higher reservation wages—buoyed by family support—and, hence, can tolerate a longer duration of unemployment while seeking a higher-paying job. On the other hand, individuals from poorer households—with similar skill levels—will tend to accept lower-paying jobs in the informal sector. Therefore, any inclusive growth agenda should provide all vulnerable groups in society—including informal workers—with access to skills upgrading.

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<sup>7</sup> Navtej Dhillon and Tarik Yousef (eds.), 2009, *Generation in Waiting: The Unfulfilled Promise of Young People in the Middle East* (Washington: Brookings Institution Press).

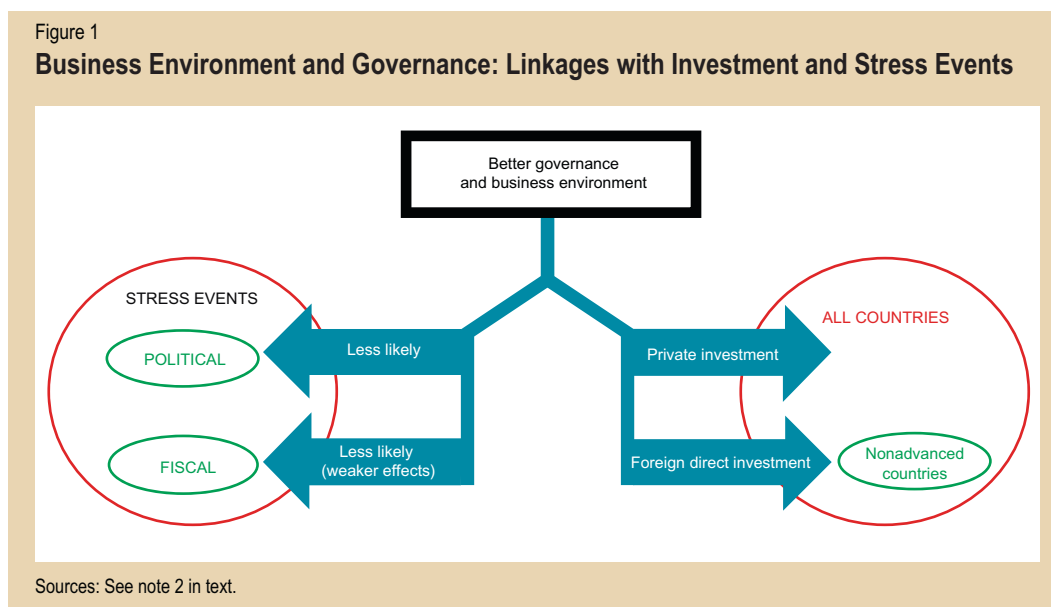
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<sup>8</sup> See note 4.

<sup>9</sup> See note 4.

## Annex 2.2. A Closer Look at Governance and the Business Environment in MENAP

Countries in the MENAP region lag behind others in quality of governance and have not improved much in this regard during the past decade. While business climate reforms over the same period have improved the global ranking of many MENAP countries, a significant implementation gap remains between laws and regulations on paper and practice on the ground, and inequality of access to services, including those provided by the financial sector, is a key impediment. Tackling labor market efficiencies would improve the business environment and help address MENAP's looming unemployment problem.



Good business environment and governance foster both inclusive growth and macroeconomic stability. They encompass transparency and predictability in policymaking, efficiency, and equity in access to government services and resources.

Existing empirical work shows a link between good governance and investment (Figure 1). Recent analysis finds that better governance is associated with a higher share of private

investment in total investment—a “vote of confidence” measure—and with higher foreign direct investment.<sup>1</sup> Better governance is also associated with fewer stress events, particularly political ones.<sup>2</sup>

<sup>1</sup> The IMF has a mandate to consider governance issues when these have a significant macroeconomic impact or constrain a government's ability to pursue policies aimed at external viability and sustainable growth.

<sup>2</sup> See Carlos Caceres and Anna Kochanova, forthcoming, “Investment Promotion and the Role of Governance” and “Country Stress Events: Does Governance Matter?” IMF Working Papers.

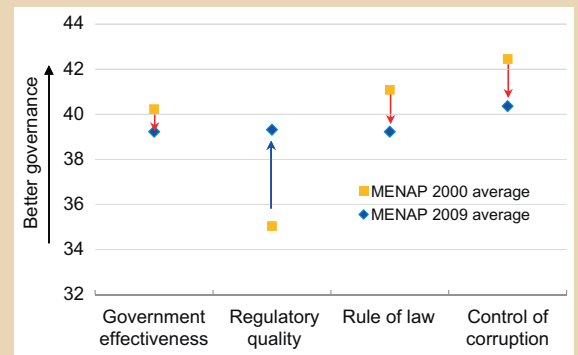
## Governance: Serious Weaknesses, Scope for Improvement

Most MENAP countries do not fare well on global governance rankings, and those rankings appear to have deteriorated over the past decade. As a group, the MENAP region ranks below the 50th percentile on many of the governance themes covered by the *Worldwide Governance Indicators* (WGI) of the World Bank.<sup>3</sup> In recent years, only a handful of MENAP countries—Jordan, Saudi Arabia, Tunisia, and some Gulf states—have ranked above the 50th percentile, for some of the WGI subindicators. There was little improvement over the 2000–09 period, when only regulatory quality improved in a significant manner, while scores on other subindicators either fell or remained unchanged (Figure 2).

Cross-country analysis points to a positive link between good governance and strong macroeconomic performance. A comparison of *government effectiveness* and *regulatory quality* subindicators of the WGI with per capita income and sovereign credit ratings reveals a clear association: countries with good governance also exhibit higher income and stronger credit ratings (Figures 3 and 4). Interestingly, several MENAP hydrocarbon-rich countries stand out in such comparisons—they obtain a higher credit rating than would typically be expected, given their level of government effectiveness and regulatory quality (Figure 4). This suggests there is scope for these countries to continue investing in the institutional improvements necessary to increase the dynamism of the nonhydrocarbon economy.

<sup>3</sup>This Annex draws heavily on the WGI, which is generally seen as perhaps the most comprehensive indicator of governance quality. As an “indicator of indicators,” it aggregates a host of publicly available governance assessment indicators (both de jure and de facto). It groups governance into six broad thematic subindicators: government effectiveness, regulatory quality, control of corruption, rule of law, voice and accountability, and political stability/absence of violence. See <http://info.worldbank.org/governance/wgi/index.asp>.

Figure 2  
**Governance**  
(Percentile, 2000 and 2009)



Source: World Bank, Worldwide Governance Indicators.

## Business Environment: Many Challenges

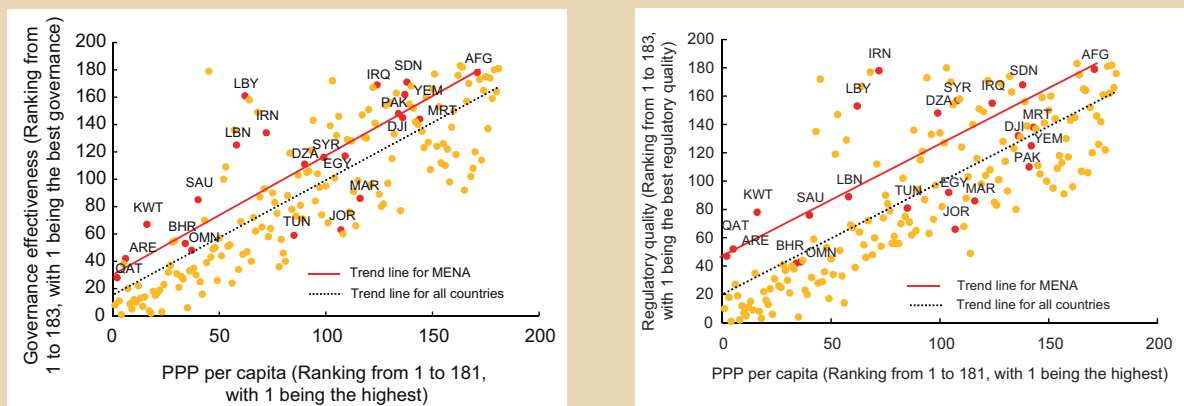
A number of MENAP countries fare well on global business environment rankings, though some are among the worst. The World Bank’s *Doing Business* (DB) and the World Economic Forum’s *Global Competitiveness Indicator* (GCI) rank MENAP countries particularly highly. Bahrain, Qatar, Saudi Arabia, and the United Arab Emirates all rank above the 50th percentile, according to DB (Figure 5).<sup>4</sup> However, several MENAP countries also rank near the bottom—Pakistan and Libya are among those characterized as having among the most difficult business environments.

MENAP countries’ performance on business environment rankings does not always tell the full story. Some business environment indicators, such as DB, are based on an assessment of rules and regulations, and may not adequately capture the true business climate if experiences on the ground are different. Firm-level responses—a useful check on whether formal rules and regulations pertaining

<sup>4</sup>DB rankings cover the regulatory environment related to nine key steps needed to set up, operate, and close a business ([www.doingbusiness.org](http://www.doingbusiness.org)). The GCI ranks countries across 12 “pillars” of competitiveness, including institutions, infrastructure, macroeconomic environment, efficiency of financial, goods, and labor markets, health and education, and innovation ([www.weforum.org](http://www.weforum.org)).

Figure 3

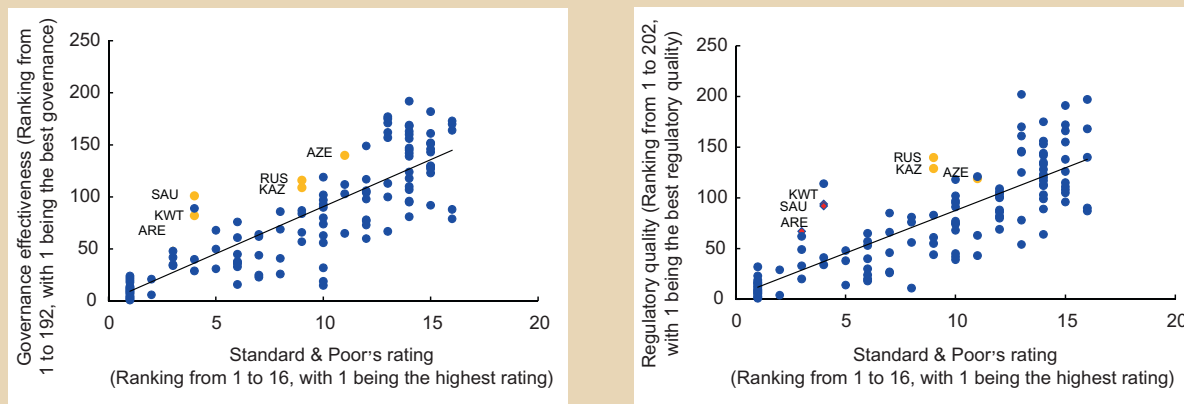
**Governance Indicators and Per Capita Income**



Sources: World Bank, Worldwide Governance Indicators, 2009; and IMF, April 2011 *World Economic Outlook*.

Figure 4

**Governance Indicators and Sovereign Credit Ratings<sup>1</sup>**



Sources: Standard & Poor's, 2011; and World Bank, Worldwide Governance Indicators, 2009.  
<sup>1</sup>Countries above the trend line have a better credit rating than is warranted by their governance indicators.

to business activities work well in practice, or if implementation needs to be strengthened—reveal a significant implementation gap in several MENAP countries.<sup>5</sup> For example, while laws and regulations suggest that it should take new firms in Lebanon and Syria 15–20 days to get an operating license,

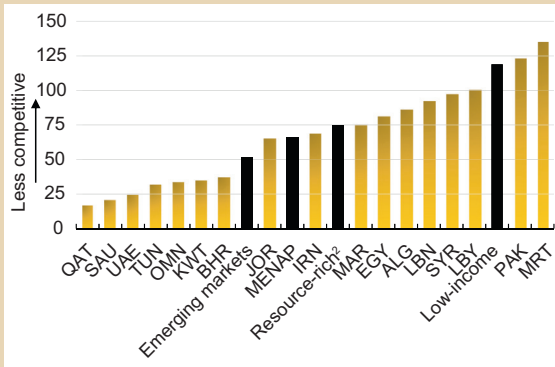
<sup>5</sup> Data are taken from World Bank and European Bank for Reconstruction and Development, Business Environment and Enterprise Performance Surveys (BEEPS).

firms report serious delays in practice, and it takes the median firm 60–90 days (Figure 6).

This observed deviation between de jure rules and de facto practice may shed light on why countries with seemingly good business environments and governance, or with significant improvements in rankings in recent years, have come under pressure recently.

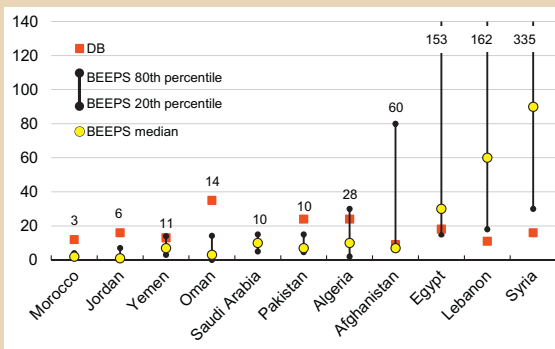
The unequal application of rules and regulations highlights problems of “ad hoc-ism,” lack of inclusion, and inequality of access, in MENAP’s

Figure 5  
**WEF Global Competitiveness Indicator Rank<sup>1</sup>**



Sources: World Economic Forum, *Global Competitiveness Report 2010–2011*.  
<sup>1</sup>A total of 17 MENA countries are surveyed by the *Global Competitiveness Report*, excluding Afghanistan, Djibouti, Iraq, Sudan, and Yemen.  
<sup>2</sup>The 41 resource-rich countries that are included in the Revenue Watch Institute's 2010 index.

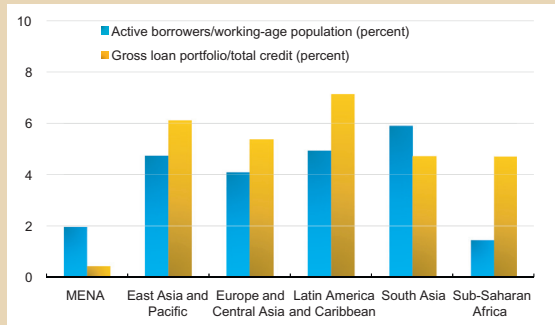
Figure 6  
**Number of Days Required to Obtain an Operating License (Firm Level)**  
*(80th–20th percentile difference)*



Sources: World Bank and European Bank for Reconstruction and Development, Business Environment and Enterprise Performance Survey (BEEPS); and World Bank, Doing Business (DB) Survey.  
 Note: From 2003 to 2010; data for each country vary by year.

business climate. In addition to the broad difference between the de jure and de facto business environment, there is also a wide divergence in the experience across firms within the same country: for instance, while the median firm in Syria is able to acquire an operating license in less than 100 days, for one-fifth of the firms, it can take one year or more. Lags of six months or more are also evident in Egypt and Lebanon (Figure 6). This divergence indicates that the playing field in MENAP is not level, particularly when it comes to firms on the

Figure 7  
**Microfinance by Region**



Source: Douglas Pearce, 2011, "Financial Inclusion in the Middle East and North Africa," Policy Research Working Paper 5610, World Bank.

“outside” of the system—most likely, those that are small and less formal.

Inequality of access is also evident in the financial sector. While countries in the MENAP region have generally high outstanding credit to the private sector (in relation to GDP) when compared with other country groupings and regions (except for OECD and East Asian countries), small and medium-sized enterprises in MENAP have disproportionately low access to finance.<sup>6</sup>

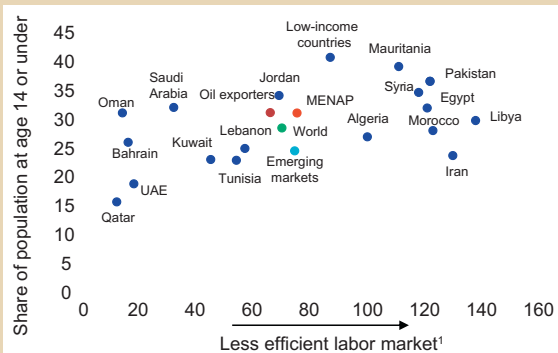
Banks in the MENAP region tend to cater to a narrow set of clients, including the public sector and large corporations, and connected lending is pervasive—the ratio of exposure to top 20 loans to bank equity is nearly four times higher in MENAP than in North America. In addition, MENAP countries also rank relatively low on access to microcredit (defined as credit in which the average outstanding loan size is less than three times per capita income), and the gross microcredit loan portfolio in MENAP is significantly smaller, as a share of total credit, than that in other regions (Figure 7).<sup>7</sup>

<sup>6</sup> See Roberto R. Rocha, Zsofia Arvai, and Subika Farazi, 2011, *Financial Access and Stability: A Road Map for the Middle East and North Africa* (Washington: World Bank).

<sup>7</sup> See Douglas Pearce, forthcoming, "Financial Inclusion in the Middle East and North Africa: Analysis and Roadmap Recommendations," Background Paper, MENA Financial Sector Flagship Report, World Bank.

Figure 8

**Labor Market Efficiency and Youth Population**



Sources: World Economic Forum, *Global Competitiveness Report 2010–2011*; and World Bank, *World Development Indicators 2009*.

<sup>1</sup>Includes cooperation in labor-employer relations, flexibility in wage determination, rigidity of employment, hiring and firing practices, redundancy costs, pay and productivity, and reliance on professional management.

opportunities for its large youth population. Business environment indicators help shed light on how well labor markets function in MENAP, and many countries in the region are at the bottom of global labor market efficiency rankings.<sup>8</sup> Matching labor market efficiency against the share in the population of those under age 14 reveals the gravity of the problem that some MENAP countries face in absorbing new entrants (Figure 8). The challenges are most acute in Egypt, Libya, Mauritania, Pakistan, and Syria.

Business environment reforms would also need to address one of the MENAP region’s main challenges—how to create employment

<sup>8</sup> A modified labor market efficiency indicator was constructed using the following subindicators of the World Economic Forum’s *Global Competitiveness Report*: labor-employer cooperation, wage flexibility, employment rigidity, hiring and firing practices, and pay and productivity.



## Selected Economic Indicators: MENAP Oil Importers

	Average						Projections	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>Real GDP Growth</b>	<b>4.4</b>	<b>6.2</b>	<b>6.5</b>	<b>5.5</b>	<b>4.2</b>	<b>4.3</b>	<b>1.9</b>	<b>3.1</b>
<i>(Annual change; percent)</i>								
Afghanistan, Rep. of	...	5.6	13.7	3.6	20.9	8.2	7.1	7.2
Djibouti	2.4	4.8	5.1	5.8	5.0	3.5	4.8	5.1
Egypt	4.0	6.8	7.1	7.2	4.7	5.1	1.2	1.8
Jordan	6.0	8.1	8.2	7.2	5.5	2.3	2.5	2.9
Lebanon	3.4	0.6	7.5	9.3	8.5	7.5	1.5	3.5
Mauritania	3.7	11.4	1.0	3.5	-1.2	5.2	5.1	5.7
Morocco	4.4	7.8	2.7	5.6	4.9	3.7	4.6	4.6
Pakistan	5.0	5.8	6.8	3.7	1.7	3.8	2.6	3.8
Syrian Arab Republic	3.8	5.0	5.7	4.5	6.0	3.2	-2.0	1.5
Tunisia	4.4	5.7	6.3	4.5	3.1	3.1	0.0	3.9
<b>Consumer Price Inflation</b>	<b>3.9</b>	<b>7.1</b>	<b>7.0</b>	<b>13.3</b>	<b>11.1</b>	<b>8.7</b>	<b>9.8</b>	<b>9.6</b>
<i>(Year average; percent)</i>								
Afghanistan, Rep. of	...	7.2	8.6	30.5	-8.3	0.9	13.4	1.2
Djibouti	2.1	3.5	5.0	12.0	1.7	4.0	7.1	1.9
Egypt	4.7	7.6	9.5	18.3	11.7	11.4	11.2	11.0
Jordan	2.1	6.3	4.7	13.9	-0.7	5.0	5.4	5.6
Lebanon	0.5	5.6	4.1	10.8	1.2	4.5	5.9	5.0
Mauritania	6.6	6.2	7.3	7.3	2.2	6.3	6.2	6.3
Morocco	1.5	3.3	2.0	3.9	1.0	1.0	1.5	2.7
Pakistan	4.6	7.9	7.8	12.0	20.8	11.7	13.9	14.0
Syrian Arab Republic	2.7	10.4	4.7	15.2	2.8	4.4	6.0	5.0
Tunisia	2.7	4.1	3.4	4.9	3.5	4.4	3.5	4.0
<b>General Government Fiscal Balance</b>	<b>-5.3</b>	<b>-4.8</b>	<b>-5.2</b>	<b>-5.4</b>	<b>-5.2</b>	<b>-6.0</b>	<b>-7.6</b>	<b>-6.7</b>
<i>(Percent of GDP)</i>								
Afghanistan, Rep. of	...	-3.1	-2.0	-4.3	-1.6	0.9	0.0	-1.8
Djibouti	-1.8	-2.4	-2.6	1.3	-4.6	-0.5	0.4	0.0
Egypt <sup>1</sup>	-9.9	-8.2	-7.3	-6.8	-6.9	-8.1	-9.9	-8.7
Jordan <sup>1</sup>	-3.1	-3.5	-5.7	-5.5	-8.9	-5.4	-6.1	-5.9
Lebanon <sup>1</sup>	-15.3	-10.4	-10.8	-9.5	-8.2	-7.3	-7.8	-8.3
Mauritania <sup>1,2</sup>	-6.6	35.8	-1.6	-6.5	-5.1	-1.9	-2.8	-3.8
Morocco <sup>1</sup>	-5.2	-2.0	0.3	1.5	-1.9	-4.5	-5.8	-5.0
Pakistan	-2.7	-3.7	-5.5	-7.3	-5.2	-5.9	-6.5	-5.3
Syrian Arab Republic	-2.1	-1.1	-3.0	-2.9	-2.9	-5.1	-11.0	-9.1
Tunisia	-2.6	-2.9	-2.8	-0.7	-2.6	-1.2	-4.1	-4.3
<b>Current Account Balance</b>	<b>-0.4</b>	<b>-1.3</b>	<b>-2.2</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.8</b>
<i>(Percent of GDP)</i>								
Afghanistan, Rep. of	...	-5.7	0.9	-1.6	-2.6	2.7	-0.8	-4.4
Djibouti	-0.4	-11.5	-21.4	-24.3	-9.1	-4.8	-10.8	-11.6
Egypt	1.6	1.6	2.1	0.5	-2.3	-2.0	-1.9	-2.2
Jordan	0.0	-11.5	-16.8	-9.3	-3.3	-4.9	-6.7	-8.4
Lebanon	-15.2	-5.3	-6.8	-9.2	-9.7	-10.9	-14.7	-13.8
Mauritania	-18.8	-1.3	-17.2	-14.8	-10.7	-8.7	-7.5	-7.5
Morocco	2.2	2.2	-0.1	-5.2	-5.4	-4.3	-5.2	-4.0
Pakistan	1.6	-3.9	-4.8	-8.5	-5.7	-2.2	0.2	-1.7
Syrian Arab Republic	-2.3	1.4	-0.2	-1.3	-3.6	-3.9	-6.1	-6.1
Tunisia	-3.0	-1.8	-2.4	-3.8	-2.8	-4.8	-5.7	-5.5

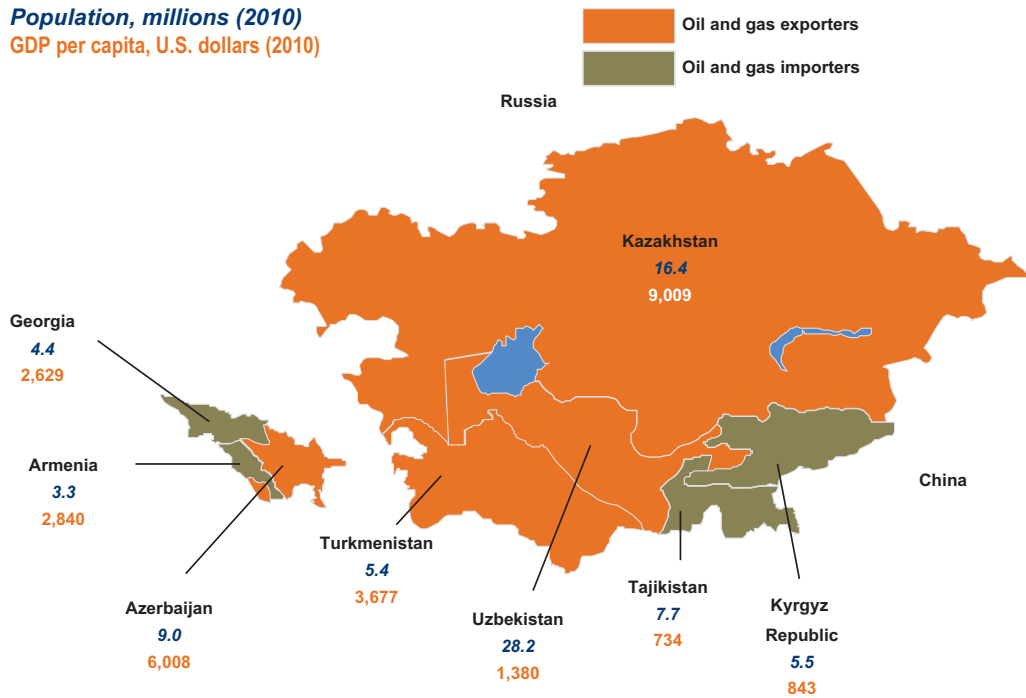
Sources: National authorities; and IMF staff estimates and projections.

<sup>1</sup>Central government.<sup>2</sup>Includes oil revenue transferred to the oil fund.



# Caucasus and Central Asia

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



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



## CCA Highlights

The recovery is gaining momentum across the Caucasus and Central Asia (CCA) region, and the growth outlook is broadly positive. For the oil and gas exporters, current projections point to growth of about 6½ percent for 2012, supported by high oil prices. For the oil and gas importers, 2012 growth is estimated at 5⅓ percent, underpinned by continued growth in Russia. At the same time, uncertainties over the robustness of the global recovery constitute a downside risk to the growth outlook in the CCA region.

### Safeguarding the Recovery

With the recovery gaining speed, CCA oil and gas importers should aim for fiscal consolidation to rebuild fiscal buffers that were depleted during the global financial crisis and to help safeguard fiscal sustainability against future shocks. Such fiscal adjustment—which has already commenced in Armenia and Georgia—would also help rein in large external current account deficits. In addition, maintaining exchange rate flexibility and invigorating structural reforms aimed at boosting competitiveness will help to reduce external vulnerabilities. In the Kyrgyz Republic and Tajikistan, inflation remains in double-digit territory, and further monetary tightening is needed to ensure macroeconomic stability. For the CCA oil and gas importers, if global growth deteriorates sharply—particularly in Russia—their growth prospects would be adversely affected through reduced trade and remittance flows.

The key policy challenge facing CCA oil and gas exporters is to safeguard price stability. Strong economic growth and accommodative macroeconomic policies heighten the risks of overheating. Monetary policy needs to switch to a postcrisis mode and exit from its accommodative stance. Moreover, fiscal policy needs to tackle the large non-oil fiscal deficits that are contributing to domestic demand pressures. Exercising caution over spending increases; cutting nonpriority spending; ensuring the transparency, efficiency, and quality of public expenditure; and strengthening nonhydrocarbon revenues are all key in this regard. Nonetheless, if downside risks materialize and global growth slows, then the exit of oil and gas exporters from their accommodative monetary and fiscal policies may need to be reconsidered.

Over the medium term, the key challenges facing the region are to create jobs and foster high and inclusive growth. To this end, key components of the reform agenda include implementing policies to improve the business environment; ensuring equal access to public services; enhancing transparency, governance, and institutional quality; boosting regional trade integration; and addressing skill mismatches. While the period ahead will be challenging, the CCA countries broadly stand on a good economic platform from which to continue to build their social and political transformation.

**CCA: Selected Economic Indicators, 2000–12***(Percent of GDP, unless otherwise indicated)*

	Average				Projections	
	2000–07	2008	2009	2010	2011	2012
<b>CCA</b>						
Real GDP (annual growth)	10.3	6.8	3.7	6.7	5.6	6.2
Current account balance	-0.6	8.9	0.3	5.8	7.3	6.1
Overall fiscal balance	1.4	6.2	1.0	3.8	2.5	2.9
Inflation, p.a. (annual growth)	9.8	16.5	6.2	7.2	9.9	8.8
<b>CCA oil and gas exporters</b>						
Real GDP (annual growth)	10.7	7.0	4.9	7.2	5.6	6.4
Current account balance	0.3	12.4	1.7	7.5	9.2	7.8
Overall fiscal balance	2.2	7.9	2.3	5.3	3.6	4.1
Inflation, p.a. (annual growth)	10.2	16.8	6.5	7.2	9.6	9.2
<b>CCA oil and gas importers</b>						
Real GDP (annual growth)	8.3	5.7	-3.5	3.9	5.7	5.3
Current account balance	-6.3	-14.7	-9.8	-8.4	-9.2	-8.8
Overall fiscal balance	-2.8	-3.6	-6.8	-5.3	-4.9	-4.3
Inflation, p.a. (annual growth)	7.8	14.4	4.2	7.1	12.0	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

Экономический подъем в странах Кавказа и Центральной Азии (КЦА) усиливается, и перспективы роста являются в целом позитивными. В случае экспортеров нефти и газа текущие прогнозы указывают на прирост в 2012 году на уровне примерно 6½ процента, которому благоприятствуют высокие цены на нефть. Для импортеров нефти и газа экономический рост в 2012 году, по оценкам, составит 5½ процента, ему будет содействовать продолжающийся рост в России. В то же самое время неопределенность относительно силы глобального подъема представляет собой риск ухудшения перспектив роста в регионе КЦА.

### Обеспечение подъема

В условиях, когда подъем набирает обороты, странам-импортерам нефти и газа КЦА следует стремиться к бюджетной консолидации для восстановления бюджетных резервов, которые были истощены во время мирового финансового кризиса и которые помогают сохранить устойчивость бюджета в случае будущих шоков. Такая бюджетная корректировка, которая уже началась в Армении и Грузии, должна также помочь обуздать крупные дефициты счетов текущих внешних операций. Кроме того, поддержание гибкости обменного курса и активизация структурных реформ, направленных на повышение конкурентоспособности, будут содействовать снижению внешней уязвимости. В Кыргызской Республике и Таджикистане инфляция попрежнему выражается двузначными показателями, и для обеспечения макроэкономической стабильности необходимо дальнейшее ужесточение денежно-кредитной политики. В странах-импортерах нефти и газа КЦА при резком ухудшении роста мировой экономики, особенно в России, сокращение торговли и потоков денежных переводов негативно скажутся на перспективах роста.

Важнейшая задача в области экономической политики, стоящая перед экспортерами нефти и газа КЦА, заключается в обеспечении стабильности цен. Активный экономический рост и адаптивная макроэкономическая политика увеличивают риски перегрева экономики. Денежно-кредитную политику необходимо переориентировать на посткризисный режим и отказ от адаптивного курса. Кроме того, налогово-бюджетная политика должна решить проблему крупных ненефтяных дефицитов бюджета, которые содействуют росту давления внутреннего спроса. В этой связи важнейшее значение имеют осторожность с увеличением расходов; сокращение неприоритетных расходов; обеспечение прозрачности, эффективности и качества государственных расходов; а также наращивание доходов, не связанных с нефтью и газом. Тем не менее, если риски ухудшения ситуации станут реальностью и произойдет снижение мировых темпов роста, то, возможно, придется пересмотреть решение экспортеров нефти и газа об отказе от адаптивной денежно-кредитной и налогово-бюджетной политики.

В среднесрочной перспективе важнейшие задачи, с которыми сталкивается регион, заключаются в создании рабочих мест и содействии высокому и охватывающему широкие слои населения экономическому росту. В этих целях ключевые компоненты программы реформ включают следующее: меры политики, направленные на улучшение делового климата; обеспечение равного доступа к государственным услугам; повышение степени прозрачности, качества управления и качества институциональной системы; усиление региональной торговой интеграции; преодоление несоответствий в предлагаемых и требуемых навыках работников. Хотя предстоящий период будет трудным, страны КЦА в целом имеют прочную экономическую платформу, на которой они смогут продолжать свои социальные и политические преобразования.

**КЦА: отдельные экономические показатели, 2000–2012 годы***(В процентах ВВП, если не указано иное)*

	Среднее				Прогнозы	
	2000–07	2008	2009	2010	2011	2012
<b>КЦА</b>						
Реальный ВВП (годовые темпы)	10.3	6.8	3.7	6.7	5.6	6.2
Сальдо счета текущих операций	-0.6	8.9	0.3	5.8	7.3	6.1
Общее сальдо бюджета	1.4	6.2	1.0	3.8	2.5	2.9
Инфляция (годовые темпы в процентах)	9.8	16.5	6.2	7.2	9.9	8.8
<b>Экспортеры нефти и газа КЦА</b>						
Реальный ВВП (годовые темпы)	10.7	7.0	4.9	7.2	5.6	6.4
Сальдо счета текущих операций	0.3	12.4	1.7	7.5	9.2	7.8
Общее сальдо бюджета	2.2	7.9	2.3	5.3	3.6	4.1
Инфляция (годовые темпы в процентах)	10.2	16.8	6.5	7.2	9.6	9.2
<b>Импортеры нефти и газа КЦА</b>						
Реальный ВВП (годовые темпы)	8.3	5.7	-3.5	3.9	5.7	5.3
Сальдо счета текущих операций	-6.3	-14.7	-9.8	-8.4	-9.2	-8.8
Общее сальдо бюджета	-2.8	-3.6	-6.8	-5.3	-4.9	-4.3
Инфляция (годовые темпы в процентах)	7.8	14.4	4.2	7.1	12.0	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: Safeguarding the Recovery

The near-term growth outlook is broadly positive across the CCA region, helped by high oil prices for the oil and gas exporters and the continuing recovery in Russia for the oil and gas importers. However, in line with the global picture, risks are largely to the downside. For the oil and gas exporters, fiscal and monetary policy needs to exit from the current accommodative stance to combat inflation. The oil and gas importers should aim for fiscal consolidation and address external vulnerabilities. In some countries, further monetary policy tightening is needed to contain inflationary pressures. To foster inclusive growth and employment creation in the CCA, countries should focus on improving the business environment, reducing skill mismatches, and addressing weak governance and inequality of access to public services.

#### Recovery Gaining Speed

In virtually all CCA countries, recovery from the 2008–09 global financial crisis took hold in 2010—with growth registering about 7 percent in the oil and gas exporters and 4 percent in the oil and gas importers. Exports and remittances—key growth drivers in 2010—are continuing to grow solidly, helping the recovery gain firm momentum. By mid-2011, export growth in the region had recovered and broadly stabilized after registering a sharp decline in the aftermath of the global crisis (Figure 3.1). With Russia’s economy continuing to recover, workers’ remittances are also increasing steadily in 2011, particularly among the oil and gas importers (Figure 3.2 and Box 3.1). For the full year, combined remittance inflows to the oil and gas importers are projected to increase by 17 percent—following a strong rebound in 2010—with positive implications for private demand and fiscal (sales and trade tax) revenues (Box 3.2).

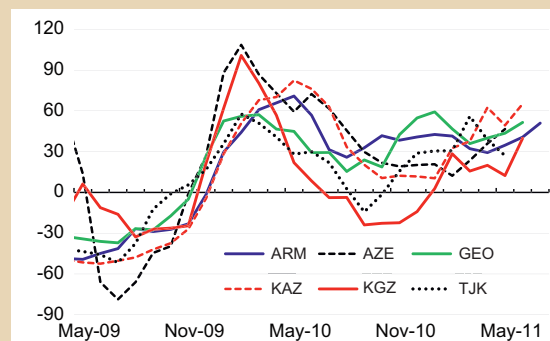
#### Growth Outlook Broadly Positive, but with Downside Risks

The near-term growth outlook is positive for the oil and gas exporters (Figure 3.3). Growth in 2011 is projected to remain strong in virtually all countries—underpinned by high oil and gas exports—but will slow sharply in Azerbaijan because of a temporary disruption in oil production.

Prepared by Yasser Abdih with input from country teams.

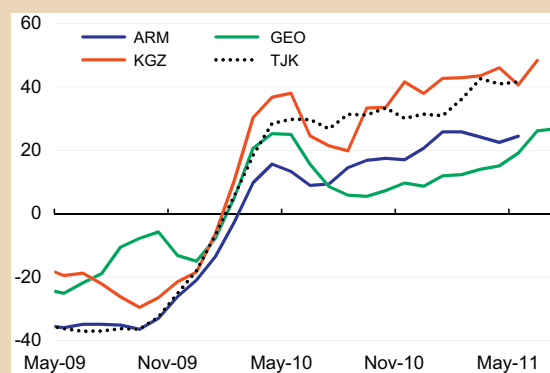
In all countries, non-oil GDP growth is forecast to remain robust in 2011, supported by continued public spending and, in Kazakhstan, additionally,

Figure 3.1  
**Exports of Goods**  
(Three-month moving average of year-over-year growth; percent)



Sources: National authorities; and IMF staff calculations.

Figure 3.2  
**Remittance Inflows**  
(Three-month moving average of year-over-year growth; percent)



Sources: National authorities; and IMF staff calculations.

**Box 3.1**

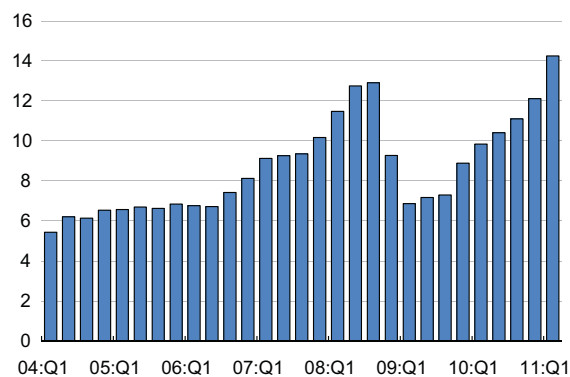
**Regional Spillovers from Russia’s Economic Recovery**

Following a 7¾ percent output contraction in 2009, Russia’s growth picked up to 4 percent in 2010. Real growth is projected at 4½ percent in 2011 and about 4 percent in 2012. While high oil prices and large capital inflows powered the boom before the global financial crisis, this set of circumstances does not seem likely to return. In addition, political uncertainty in the run-up to the presidential election in 2012, a still-fragile banking system, and increased risk aversion on the part of investors will moderate growth prospects.

Nonetheless, Russia’s economic recovery is benefiting the CCA mainly through trade and remittances. After plummeting by more than 45 percent from the precrisis peak, the value of Commonwealth of Independent States (CIS) exports to Russia began rising in late 2009, surpassing precrisis levels in the first quarter of 2011 (Figure 1). Remittances from Russia to the CCA are also recovering—those to Armenia, the Kyrgyz Republic, Tajikistan, and Uzbekistan already exceed precrisis levels (Figure 2). Russia’s direct investment in the CIS, on the other hand, which declined substantially following the crisis, has not recovered, possibly reflecting increased risk aversion of Russian investors (Figure 3).

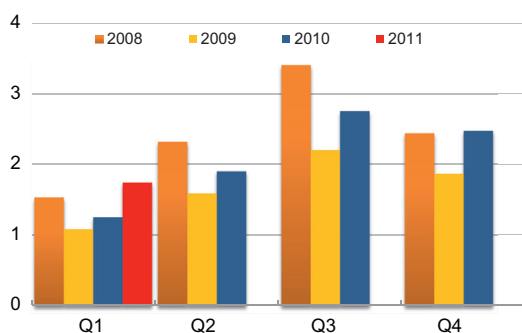
Russia’s export ban on cereals during August 2010–June 2011, and the steep hike in its gasoline export duty in May 2011, had significant repercussions for the CCA. While the poor 2011 harvest in Russia and the subsequent export ban added to global grain price inflation, the adverse impact on inflation has been particularly acute in the CCA, given the large weight of food in consumption baskets and significant dependence on imported food. Inflation pressures in the region, particularly in Tajikistan, were exacerbated by the increase in Russia’s gasoline export duty to a high level.

**Figure 1**  
**Imports from CIS Countries**  
(Billion U.S. dollars; seasonally adjusted)



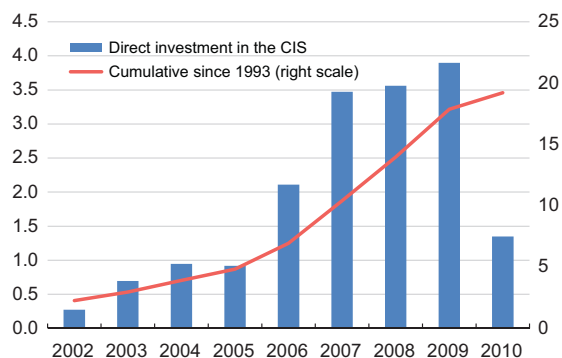
Sources: Central Bank of Russia; and IMF staff calculations.

**Figure 2**  
**Remittances to CCA Countries<sup>1</sup>**  
(2007–10; billion U.S. dollars)



Source: Central Bank of Russia.  
<sup>1</sup>Remittances via money transfer operators.

**Figure 3**  
**Russia’s Direct Investment in the CIS**  
(Billion U.S. dollars)



Source: Central Bank of Russia.

Prepared by Dachaeng Kim (European Department).

**Box 3.2**

**Remittances and Tax Revenues in CCA Countries**

Several CCA countries are major recipients of remittances. In 2010, Tajikistan was the top recipient of remittances in the world, measured in relation to GDP (33 percent); the Kyrgyz Republic ranked third (31 percent), and four others received the equivalent of 2½–10 percent of GDP (Figure 1). These compare to a global average of 4½ percent of GDP in 2010. Remittances to the CCA declined by 27 percent in 2009, and are projected to rebound in 2011 (Table 1).

An analysis of the determinants of remittances shows that fluctuations in economic activity in “host countries,” where the migrants sending remittances reside and receive income, are a key driver of the amount of remittances sent. For the CCA countries, the Russian economy is important. In contrast, for the Mashreq countries, the GCC plays a major role, and for the Maghreb countries, it is Europe that constitutes the major host region (Figure 2).

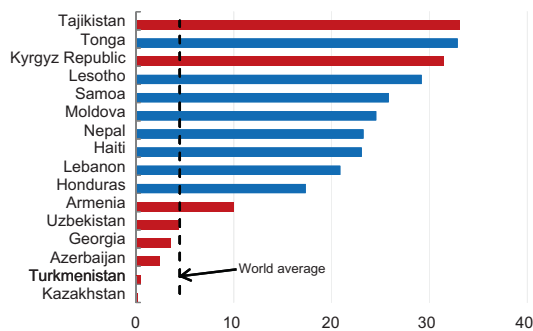
Remittances appear to have sizable effects on fiscal revenues. They raise domestic consumption and imports and therefore bolster sales and trade tax receipts. A simulation exercise that measures the predicted fiscal impact of foreign income shocks reveals that, owing to a strong decline in host country income—particularly in Russia—CCA countries lost ¾ of a percentage point of GDP or more in revenues due to the decline in remittance inflows in 2009 (Table 2). For the Kyrgyz Republic, this decline represented about one-quarter of the deterioration of its primary balance in that year, and for Tajikistan, it represented over one-half. In contrast, the revenue loss was more modest in MENA countries, primarily because of the smaller decline in host country income. However, revenue losses through the remittance channel were still substantial, amounting to about ½ of 1 percent of GDP for Jordan and ¼ of 1 percent of GDP for Lebanon.

**Table 1**  
**Remittance Flows to the CCA**

	Percent change		
	2009	2010	2011
Selected CCA countries			
Armenia	-28.3	12.5	23.0
Azerbaijan	-16.6	11.5	9.0
Georgia	4.0	31.3	15.2
Kyrgyz Republic	-27.4	32.5	28.0
Tajikistan	-33.4	10.4	8.0
Total CCA <sup>1</sup>	-26.9	20.5	14.4

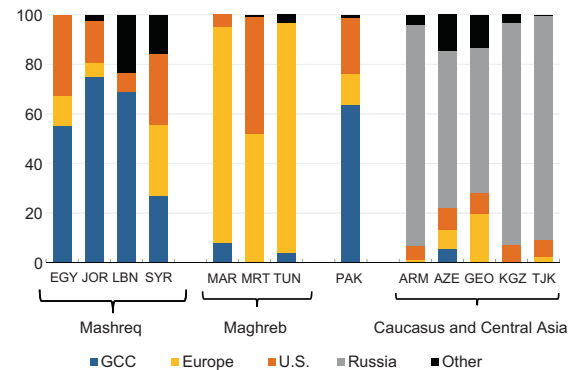
Sources: National authorities; and IMF staff calculations.  
<sup>1</sup>Includes net remittance flows in the case of Tajikistan and Turkmenistan.

**Figure 1**  
**Workers' Remittances in 2010: CCA Compared with the Top 10 Recipient Countries in the World**  
(Percent of GDP)



Sources: World Bank, *Migration and Remittance Factbook 2011*; national authorities; and IMF staff estimates and projections.

**Figure 2**  
**Share of Remittances by Region**  
(2009, percent)



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

Prepared by Adolfo Barajas, based on Yasser Abdih, Adolfo Barajas, Ralph Chami, and Christian Ebeke, forthcoming, “Determinants and Fiscal Impact of Workers’ Remittances in the Middle East and Central Asia,” IMF Working Paper.

## Box 3.2 (concluded)

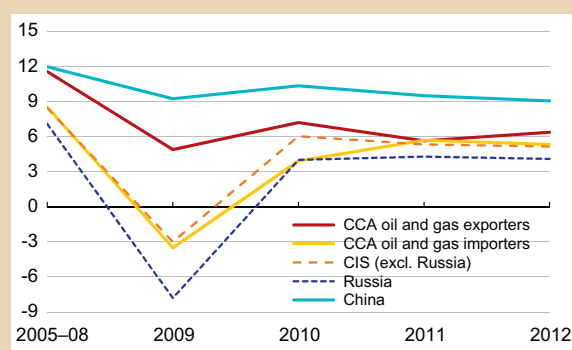
**Table 2**  
**Simulations: Impact of Fluctuations in Host Country GDP on Tax Revenues, through Remittances**

Country	2009 Global Crisis			2010 Recovery	
	Real GDP growth in host regions (Percent) <sup>1</sup>	Impact on tax revenues		Real GDP growth in host regions (Percent) <sup>1</sup>	Impact on tax revenues
		As a percentage of GDP	As a percentage of the total change in the primary balance		
<b>Selected CCA countries</b>					
Armenia	-7.14	-0.73	13.0	3.75	0.66
Georgia	-5.59	-0.82	20.3	2.94	0.79
Kyrgyz Republic	-7.17	-0.83	22.5	3.79	0.76
Tajikistan	-7.32	-0.91	55.9	3.86	0.80
<b>Selected MENA countries</b>					
Jordan	-0.75	-0.50		4.58	0.38
Lebanon	-0.26	-0.27	20.2	3.88	0.23

<sup>1</sup>Weighted average across regions in which migrants from each home country reside. Sources: National authorities; IMF staff estimates; and authors' calculations.

Figure 3.3

**Real GDP**  
 (Annual growth; percent)



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

by a recovery in agriculture from a severe drought in 2010. With oil prices foreseen to remain high in 2012, CCA oil and gas exporters should see robust growth rates, with current projections pointing to growth of about 6½ percent.

The growth outlook for the oil and gas importers is also favorable. Activity is projected to pick up in 2011, reflecting a recovery from last year's collapse in agricultural production in Armenia, and a rebound from the civil unrest-induced economic contraction in the Kyrgyz Republic. In Tajikistan and Georgia,

growth is forecast to ease slightly in 2011 but remains strong. Continued growth in Russia is also benefiting the region through trade and remittance channels and is forecast to continue to do so in 2012. Current projections see growth in 2012 for CCA oil and gas importers at about 5½ percent.

Against this background, external risks to the outlook in the CCA region have increased and derive from a heightened perception of fragility in the global recovery. Such risks relate mainly to the possibility of a double-dip recession in the United States, much weaker than expected growth in Europe, and their impact on global growth. If these risks materialize and global growth deteriorates sharply—particularly in China and Russia—economic activity in the CCA region would weaken severely. This would occur mainly through a fall in commodity prices, a decline in export demand, and a decrease in remittances and capital flows. Should those external risks not materialize, however, growth in the CCA region would be expected to be fairly robust.

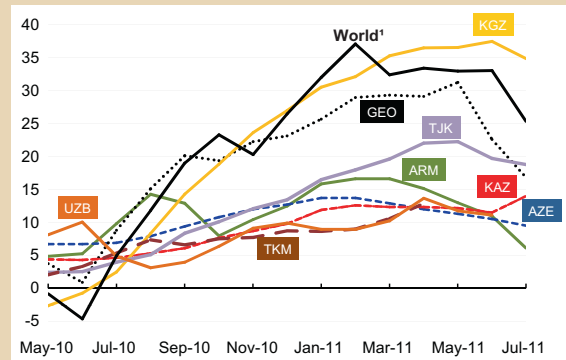
## Inflation Remains Elevated in Several Countries

Headline inflation has been rising in the CCA, roughly since mid-2010. Surging food prices have

Figure 3.4

### Food Price Inflation

(Twelve-month change; percent)

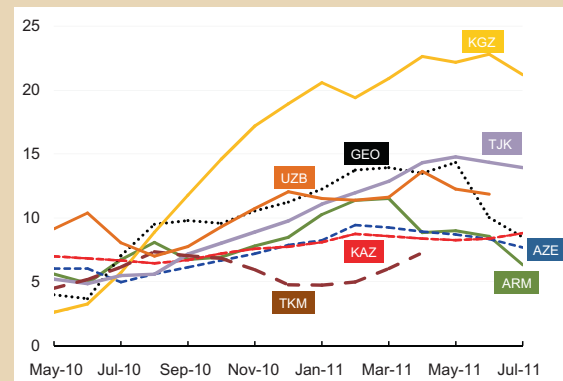


Sources: National authorities; and IMF staff calculations.  
\*IMF food price inflation.

Figure 3.5

### Headline CPI inflation

(Twelve-month change; percent)



Sources: National authorities; and IMF staff calculations.

played a key role in driving inflation, especially as food comprises about half of the consumption basket in CCA economies. Rising fuel prices have also played a role. In several countries, demand (including fiscal) pressures have also contributed.

In recent months, domestic food price inflation has slowed in many countries (Figure 3.4)—the effect of a slowing in international food price inflation and good harvests in the region—and has contributed to the stabilization, or even moderation, in headline inflation, as has monetary policy tightening in some countries. However, headline inflation continues to be high in a number of countries, most notably in the Kyrgyz Republic, Tajikistan, and Uzbekistan, where it remains in double digits (Figure 3.5).

## Policy Options and Challenges

With the recovery gaining speed, oil and gas importers should aim for fiscal consolidation, also in light of fiscal sustainability concerns. In response to surging inflation, monetary policy was tightened, but additional tightening is still needed in some countries (the Kyrgyz Republic and Tajikistan). The key challenge ahead is to rein in large current account deficits and thereby preserve external sustainability.

Oil and gas exporters need to guard against overheating. With rapid economic growth and expansionary macroeconomic policies, there are heightened risks of inflationary pressures. Monetary policy needs to exit from an accommodative stance, and fiscal policy should play a supportive role in safeguarding price stability. If, however, global growth deteriorates sharply, then tightening of macroeconomic policy might have to be delayed.

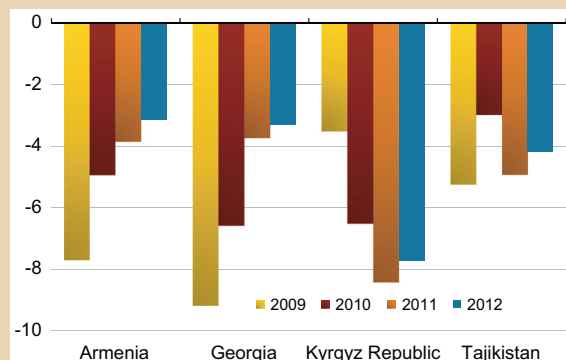
In the medium term, meeting the challenge of creating jobs and fostering high, sustained, and inclusive growth will depend on progress toward addressing skill mismatches (see Box 3.3 for the south Caucasus), improving the business environment, enhancing governance and institutional quality, and promoting equality of access to public services.

## Oil and Gas Importers

### Fiscal Consolidation Is Under Way or Planned

In Armenia and Georgia, economic recovery is gaining momentum and providing room for needed fiscal consolidation, with fiscal deficits forecast to

Figure 3.6  
**Fiscal Balance**  
(Percent of GDP)



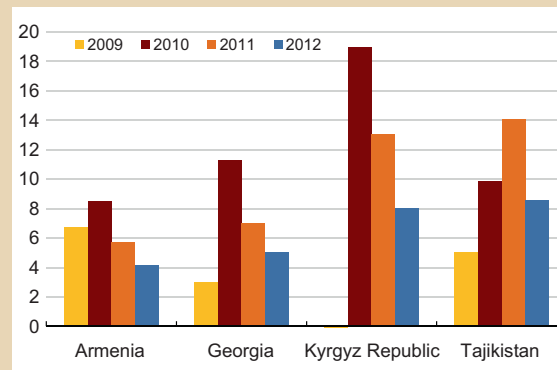
Sources: National authorities; and IMF staff calculations and projections.

decline further in 2011 and 2012 (Figure 3.6). Fiscal deficits are projected to widen, however, in the Kyrgyz Republic in 2011—in reaction to last year’s economic contraction induced by the political and civil unrest—and in Tajikistan, reflecting, in part, anticipated disbursements of external loans under the public investment program. Fiscal consolidation is needed—and indeed planned—in both countries to rebuild fiscal buffers and ensure medium-term fiscal sustainability.

### Further Monetary Policy Tightening Needed in Some Countries

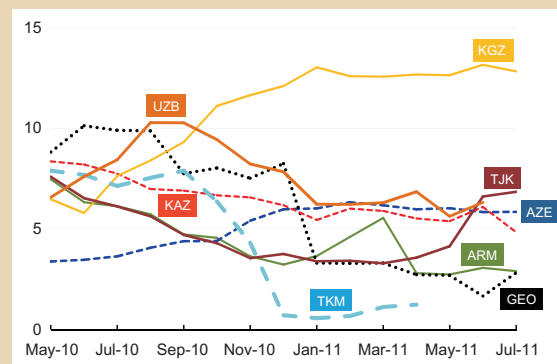
Driven largely by high food prices, headline inflation picked up in Armenia and Georgia through early 2011. To curb inflation expectations and a potential broadening of price pressures, the authorities tightened monetary policy (Annex 3.1). Since mid-2011, headline inflation has been declining rapidly and is projected to decline further as the agricultural sector recovers and global food price inflation moderates (Figure 3.7). In this light, and given that core (or nonfood) inflation remains largely subdued (Figure 3.8), the Georgian and Armenian authorities have recently started easing monetary conditions. Monetary easing should proceed cautiously, particularly in light of strong credit growth.

Figure 3.7  
**Headline Inflation**  
(End of period; percent change)



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

Figure 3.8  
**Core Inflation**  
(Twelve-month change; percent)



Sources: National authorities; and IMF staff calculations.

In Tajikistan, headline inflation surged with the pass-through of higher food and fuel prices and was exacerbated by the recent sizable increase in Russian export taxes on fuel. Even though monetary policy has tightened, a further tightening is warranted given the currently high headline inflation (14 percent at end-July) and its projected persistence, the recent pickup in core inflation, growing private-sector credit, and pressures for additional public spending.

In the Kyrgyz Republic, headline inflation pressures—stemming from food and fuel

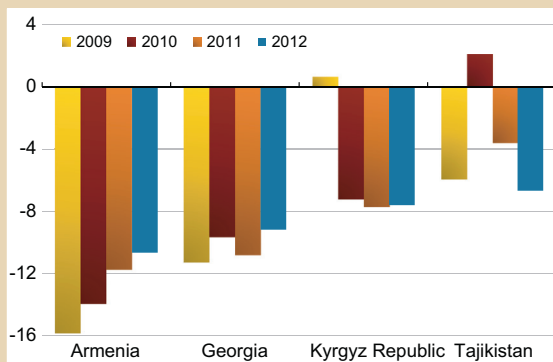
prices—have spilled into core inflation, which remains in double-digit territory despite monetary policy tightening. Russia’s removal of its fuel export duty, an improved security situation, an expected recovery in agriculture, and a softening of international food and fuel prices should help moderate inflation. However, additional monetary tightening is needed to offset potential inflationary pressures stemming from increased fiscal spending during the second half of 2011.

### External Vulnerabilities Will Need to Be Addressed

Current account deficits remain elevated in several CCA oil and gas importers in 2011, particularly Armenia and Georgia (Figure 3.9). In all countries, foreign direct investment inflows have not yet recovered to precrisis levels (Figure 3.10), and external debt—which has risen during the global crisis—remains high, ranging from 35 percent of GDP in Armenia and 51 percent in Tajikistan, to almost 60 percent in Georgia and the Kyrgyz Republic.

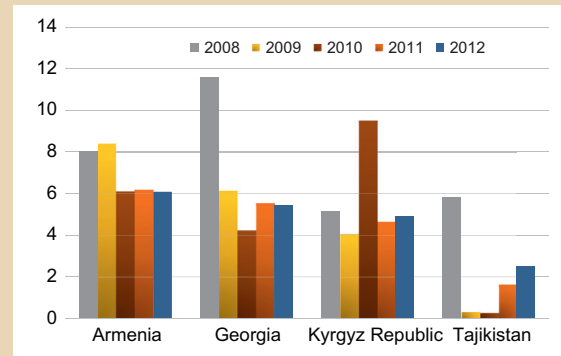
Accordingly, policy needs to focus increasingly on reining in current account deficits to help preserve external sustainability. To this end, maintaining a flexible exchange rate in Georgia, the Kyrgyz Republic, and Tajikistan, and allowing for more flexibility in Armenia, are needed. Stepping up structural reforms to boost competitiveness is also

Figure 3.9  
**Current Account Balance**  
(Percent of GDP)



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

Figure 3.10  
**Net Foreign Direct Investment**  
(Percent of GDP)



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

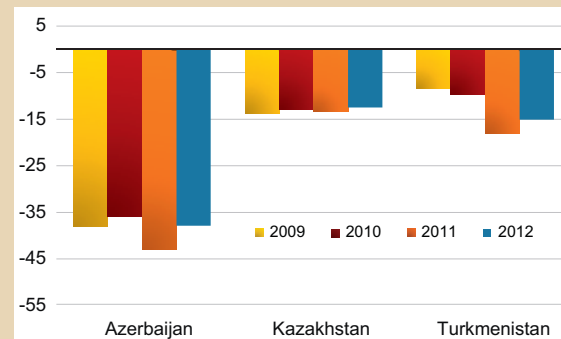
crucial. Continuation of the fiscal consolidation that has already commenced in a number of countries will also help achieve external sustainability.

### Oil and Gas Exporters

#### Macroeconomic Policy Remains Largely Accommodative ...

The fiscal stance remains expansionary in virtually all oil and gas exporters in 2011. Largely on account of increased government spending, the non-oil fiscal deficit is projected to widen in 2011 in Azerbaijan and Turkmenistan (Figure 3.11).

Figure 3.11  
**Oil and Gas Exporters: Non-Oil Fiscal Balance**  
(Percent of non-oil GDP)<sup>1</sup>



Sources: National authorities; and IMF staff calculations and projections.  
<sup>1</sup>Uzbekistan does not report non-oil fiscal balance.

Notwithstanding high commodity prices, the overall fiscal surplus in Uzbekistan is shrinking in 2011, implying a somewhat expansionary fiscal stance. In Kazakhstan, the non-oil fiscal deficit is projected to remain broadly unchanged. For 2012, while non-oil fiscal deficits are projected to decline, they remain significantly higher than precrisis levels.

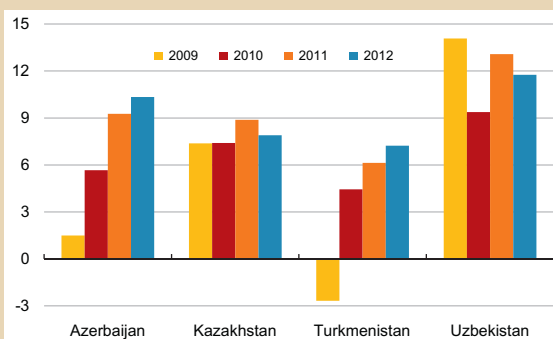
Monetary policy remains accommodative in the group of oil and gas exporters. Despite the recent modest increases in the policy rate in some countries (Azerbaijan, Kazakhstan), real rates remain negative in all countries. Reserve requirements are lower than precrisis levels and, in Turkmenistan and Uzbekistan, sizable directed lending continues.

### ... with Heightened Risks of Inflationary Pressures

The oil and gas exporters are growing fast, and this growth, coupled with an accommodative policy stance, implies sizable upside risks of overheating. Indeed, despite an expected moderation in international food and fuel prices, headline inflation is forecast to continue to rise in 2012 in Azerbaijan and Turkmenistan, and to remain in double-digit territory in Uzbekistan (Figure 3.12). In Kazakhstan, headline inflation is projected to moderate in 2012, but risks remain to the upside. The prices of key food items remain elevated,

Figure 3.12

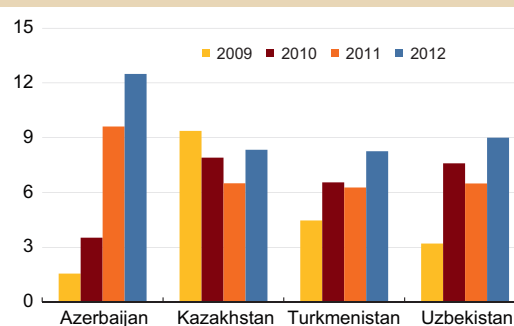
#### Headline Inflation (Average annual percent change)



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

Figure 3.13

#### Core Inflation (Average annual percent change)



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

underscoring the risks to inflation expectations. Moreover, this year's 30 percent hike in Kazakhstan public-sector wages and pension outlays will also likely add to the risks of broadening price pressures. Indeed, in Kazakhstan and all other oil and gas exporters, core inflation is projected to rise in 2012 (Figure 3.13).

### Monetary Policy Should Exit from Its Accommodative Stance ...

With the economic recovery gaining speed and inflationary pressures heightening, monetary policy should exit from its accommodative stance. However, monetary policy itself has only limited traction in most countries; hence policymakers should pursue reforms aimed at enhancing its effectiveness. In Turkmenistan and Uzbekistan, directed lending and interest rate controls should be phased out, as they impede financial intermediation, credit allocation, and the conduct of monetary policy. In all countries, fostering financial deepening, enhancing central bank independence, improving the capacity of monetary policy tools, promoting more competition in banking systems, and avoiding unnecessary government intervention are all key to strengthening the transmission mechanism of monetary policy.<sup>1</sup>

<sup>1</sup> See also IMF, October 2010 *Regional Economic Outlook: Middle East and Central Asia*.



## ... and Fiscal Policy Needs to Be More Prudent

Fiscal policy should coordinate carefully with monetary policy to limit inflationary pressures and ensure macroeconomic stability. Governments therefore need to exercise caution over spending increases, cut nonpriority spending, and avoid further increases in hard-to-reverse items such as wages and pensions. At the same time, a more prudent fiscal policy will also help bring down non-oil deficits gradually to the more conservative path that prevailed before the global crisis. In addition to expenditure restraints, achieving a gradual pace of fiscal consolidation would also require the authorities' commitment to enhancing the transparency, quality, and efficiency of public spending, and to raising nonhydrocarbon revenues.

## Medium-Term Challenges: Jobs and Inclusive Growth

Unemployment is a matter of concern in the CCA, but data are sparse, particularly in central Asia. There, massive emigration to Russia has partially mitigated the problem—especially in Tajikistan and the Kyrgyz Republic. In some countries, impediments to private-sector activity constrain job creation and employment opportunities. In others, hidden unemployment or underemployment is a concern, given the prevalence of a large number of informal workers, many of whom are the rural poor.

In the south Caucasus, available data suggest that unemployment is high. In Azerbaijan, the unemployment rate is near 10 percent,<sup>2</sup> and in Armenia, it stood at 19 percent in 2009.<sup>3</sup> Georgia's unemployment rate in 2009 was about 17 percent according to official estimates. There, alternative estimates of unemployment are higher, in the range of 20–30 percent. In all countries, youth

unemployment rates are even higher—close to 15 percent in Azerbaijan, and in the range of 35–40 percent in Georgia and Armenia (Box 3.3).

Unemployment in the south Caucasus appears to be largely structural in origin. The precrisis boom period did not help to reduce officially recorded unemployment significantly, nor did the global economic crisis lead to a substantial increase. The observed weak association between growth and unemployment partly reflects low labor intensity of growth—in the precrisis boom period, more jobs were created in financial services, for example, than in sectors, such as agriculture, that have high labor intensity. However, the weak link could also reflect other structural factors, most notably a mismatch between the skills provided by national education systems and those required in the modern job market, particularly in Armenia and Georgia. Unemployment rates tend to be highest among the educated. More than 20 percent of firms in Armenia and 25 percent of firms in Georgia report lack of worker skills as a major constraint on their business operations—not insignificant numbers.

Strengthening the quality of labor statistics is needed to facilitate policy formulation. In the south Caucasus, the skill mismatch problem calls for education reforms and training programs. To achieve a sustainable reduction in unemployment, policymakers could help boost investment in employment-intensive sectors such as agriculture.

While CCA countries have made important strides in improving the business environment in recent years, many still lag behind on several indicators, most notably the ease of trading across borders—in such areas as the number of documents, procedures, and days needed to export and import.<sup>4</sup> In addition, despite some improvements in governance over the past decade, the region scores low on several widely cited governance indicators that capture rule of law and control of corruption. In several countries in the region, there are also concerns related to inequality of access to public services (Box 3.4).

<sup>2</sup> World Bank, 2010, *Azerbaijan: Living Conditions Assessment Report*, Report No. 52801-AZ (Washington).

<sup>3</sup> Asian Development Bank, 2011, *The Informal Sector and Informal Employment in Armenia*, Country Report 2010 (Manila).

<sup>4</sup> See also IMF, April 2011 *Regional Economic Outlook: Middle East and Central Asia*.

## Box 3.3

## Unemployment in the South Caucasus: The Challenge of Making Growth More Inclusive

Unemployment is high in the south Caucasus. Official data for 2010 indicate unemployment rates in Armenia, Azerbaijan, and Georgia of 7.0 percent, 6.0 percent, and 16.3 percent, respectively.<sup>1</sup> However, alternative estimates, available for Armenia and Georgia in 2009 and Azerbaijan in 2008, which take into account factors such as underemployment, suggest that unemployment rates could be significantly higher—by more than half as much in Azerbaijan and Georgia, and by more than twice as much in Armenia (Figure 1).<sup>2</sup> Youth unemployment is particularly high. About 35–40 percent of the youth labor force in Armenia and Georgia, and 15 percent in Azerbaijan, is unemployed (Figure 2). Youth employment is largely concentrated in service sectors and tends to be informal.

Growth during the past decade's economic boom did not help to reduce unemployment significantly.<sup>3</sup> While the south Caucasus countries saw phenomenally high average output growth—ranging from about 8 percent in Georgia to nearly 13 percent in Armenia and Azerbaijan (for the latter in non-oil terms) during the economic boom period (2001–08)—this high growth was not associated with a commensurate decline in unemployment, which fell, on average, by only about 3–4 percentage points in Armenia and Azerbaijan, and, surprisingly, rose slightly in Georgia (Figure 3). In contrast, many comparator countries in eastern Europe were able to achieve a similar or larger reduction in unemployment over the same period, with lower growth.

However, there appears to have been an increase in working hours during the boom years, and this, combined with rising real wages, could explain why unemployment did not decline as much. In Azerbaijan—for which detailed data are available for the pre- and postboom periods—mean hours worked per week in nonagricultural jobs rose to 43 in 2008 from 38 in 2001,

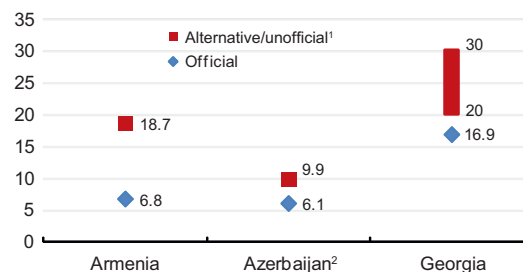
Prepared by Nadeem Ilahi with input from Anna Bordon, Alina Luca, Nia Sharashidze, and Chunfang Yang.

<sup>1</sup> According to the official definition, a person is classified as unemployed in Armenia if he or she is registered as such. In Azerbaijan and Georgia, a person is employed if he or she worked for at least an hour in the previous week. Differences in data collection practices make cross-country comparison of unemployment rates difficult.

<sup>2</sup> While alternative estimates are based, for the most part, on an internationally accepted methodology, they may not be directly comparable to official unemployment statistics as they are often based on survey data which suffer from seasonality bias.

<sup>3</sup> A lack of continuous data series makes it difficult to analyze these relationships using output gap techniques.

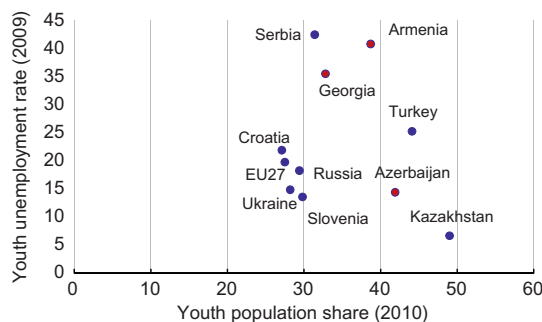
Figure 1  
Measuring Unemployment in the South Caucasus  
(Percent, 2009)



<sup>1</sup>Sources: Armenia: Asian Development Bank (2011); Azerbaijan: World Bank (2010); Georgia: National Demographic Institute, Transparency International, and Oxford Analytica.

<sup>2</sup>Data for Azerbaijan refer to 2008.

Figure 2  
Youth Population Share and Youth Unemployment<sup>1</sup>



Sources: United Nations; International Labor Organization; Eurostat; and national authorities.

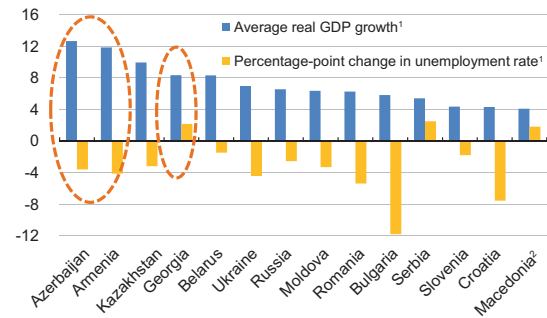
<sup>1</sup>2008 youth unemployment for Azerbaijan, Croatia, and Georgia; 2005 for Ukraine. Youth are those in the 15–24 age group.

with the share of the employed who worked less than 20 hours in the previous week declining, implying a reduction in underemployment (Figure 4).<sup>4</sup> Real wages also saw a sharp rise in Azerbaijan and Georgia over the same period.

Low growth in labor-intensive agricultural sectors and a heavy reliance on remittances may also explain the lack of association between aggregate growth and unemployment. Boom period growth in the south Caucasus appears to have been concentrated in sectors with low labor intensity (for example, financial services), while agriculture—typically a large employer—did not benefit as much (Figure 5). The increase in unemployment in Georgia during the period was partially a consequence of downsizing associated with public-sector reform and privatization. The heavy reliance of household incomes on remittances, especially in Armenia, may also have induced workers to stay out of work for longer periods by raising their reservation wages. The weak relationship between economic growth and unemployment also suggests that, for the most part, the poverty reduction achieved in these countries over the period—which was particularly impressive in Armenia and Azerbaijan—was driven by external factors (remittances, especially in Armenia), government transfers, and an increase in hours worked (particularly in Azerbaijan).

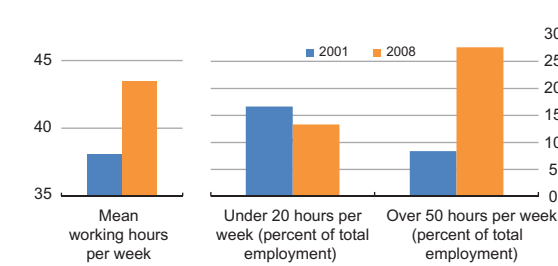
Official statistics show a small increase in unemployment in south Caucasus countries during the global economic crisis, though alternative sources suggest a different perspective. The association between economic shocks that lead to a significant decline in GDP growth, and officially measured unemployment, is weaker in Armenia and Azerbaijan than in many other comparator countries (Figure 6). GDP growth rates fell in Armenia and Azerbaijan

Figure 3  
**Economic Growth and Unemployment Change during the Economic Boom**



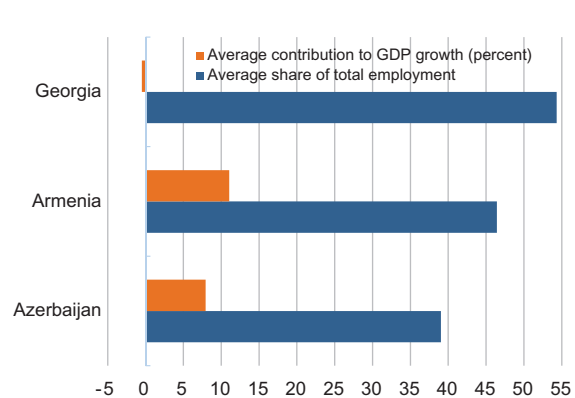
Source: IMF, *World Economic Outlook*.  
<sup>1</sup>Shock year is the year after 2001 when real GDP growth drops most sharply. It is 2008 for Georgia and Kazakhstan, and 2009 for others. Non-oil GDP is used for Azerbaijan and Kazakhstan. The average over 2001 through the year before the shock is used for GDP growth; change in unemployment refers to the difference between 2001 and the year before the shock.  
<sup>2</sup>Macedonia's biggest year-over-year drop in real GDP growth occurred in 2001; the chart depicts it starting in 2002.

Figure 4  
**Azerbaijan: Working Hours in Nonagricultural Sectors (2001 and 2008)**



Sources: World Bank, 2001 Household Budget Survey; and 2008 Living Standards Measurement Study.

Figure 5  
**Agriculture Sector: Contribution to GDP Growth and Employment<sup>1</sup>**



Source: World Bank, *World Development Indicators*.  
<sup>1</sup>Employment data for Armenia are for 2004–06; others for 2005–07.

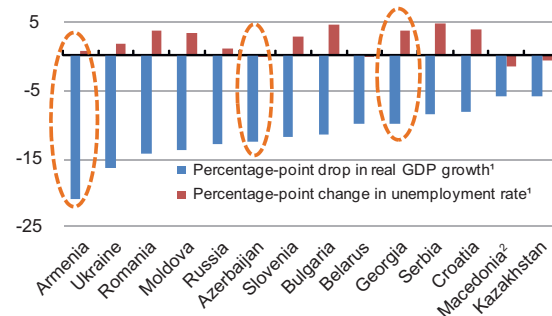
<sup>4</sup> A similar comparison for agricultural jobs is not possible, as the data suffer from seasonality differences.

**Box 3.3 (concluded)**

by more than 20 and 10 percentage points in 2009, respectively, but there was barely a one percentage point increase in the official unemployment rate in Armenia and no change in Azerbaijan. In contrast, Georgia's official unemployment rate increased significantly as a consequence of the war in 2008 and the subsequent global economic slowdown. Results from a survey by the European Bank for Reconstruction and Development, which asked households about the impacts of the crisis, suggest a different picture. They show that between one-quarter and one-third of households in the three countries experienced job losses as a result of the crisis, significantly higher than has been observed in many comparator countries (Figure 7).<sup>5</sup> Also, compared to that in other countries, labor market adjustment to the crisis in these three countries appears to take place more through layoffs than wage cuts.

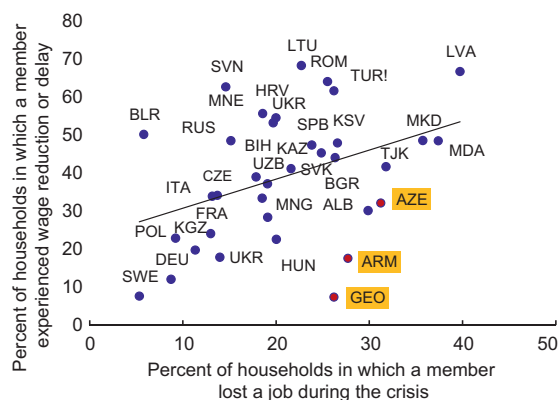
To achieve more inclusive growth, policymakers in the countries of the south Caucasus need to pay greater attention to the sectoral composition of growth and to skill mismatches. Increasing investment in the agricultural sector, which employs a high proportion of the workforce, and reducing barriers to intraregional trade could also help with job creation. The problem of youth unemployment underscores the need to place greater emphasis on improving education standards and attuning skills to labor demand. It is equally important to strengthen the quality of labor statistics, which are particularly deficient in all three countries.

**Figure 6**  
**Economic Growth and Unemployment Change during the Economic Downturn**



Source: IMF, *World Economic Outlook*.  
<sup>1</sup>Shock year is the year after 2001 when real GDP growth dropped most sharply. It is 2008 for Georgia and Kazakhstan, and 2009 for others. Non-oil GDP is used for Azerbaijan and Kazakhstan. The drop in the shock year is used for the change in GDP growth; the change in unemployment refers to the difference between before and after the shock.  
<sup>2</sup>Macedonia's biggest year-over-year drop in real GDP growth occurred in 2001; the chart depicts it starting in 2002.

**Figure 7**  
**Impact of the Economic Crisis on Employment and Wages**



Source: European Bank for Reconstruction and Development, *Life in Transition Survey II* (2010).

<sup>5</sup> Job losses in Figure 7 are not directly comparable to changes in the unemployment rate, because they do not include job creation.

Looking ahead, policy should focus on reforms aimed at improving transparency and institutional quality, promoting equity in the provision of government services, and creating an environment

that fosters a level playing field for all. Such reforms would facilitate private-sector development and lay a solid foundation for an inclusive and sustainable improvement in living standards.

**Box 3.4**

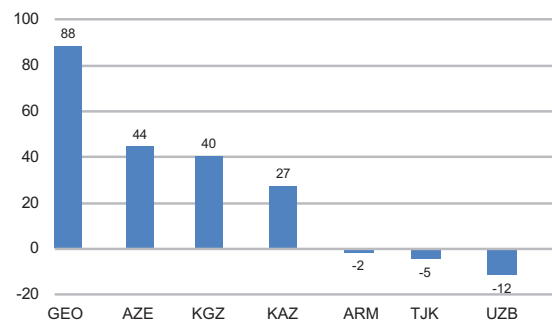
**Business Environment and Governance in the CCA**

The business environment in the CCA has improved over the past half decade. Georgia, Azerbaijan, the Kyrgyz Republic, and Kazakhstan each improved their positions in the World Bank’s Doing Business (DB) rankings by 27 places or more during 2006–11, and Georgia rose in the rankings by 88 places to 12th position, by far the largest increase by any country worldwide and the highest ranking in the CCA (Figure 1).<sup>1</sup> Kazakhstan jumped 15 places in the 2011 rankings, the largest improvement for any country.

Still, most CCA countries score poorly on some DB indicators. Several rank relatively low on indicators for trading across borders, such as the number of documents and days needed for export or import procedures. This drives up costs and impedes regional and international trade. DB scores are also relatively low for some CCA countries on “paying taxes” and “dealing with construction permits” (Figure 2); for these indicators a handful of CCA countries have rankings below the averages for emerging markets and low-income countries. CCA scores are relatively better for “starting business” (except Tajikistan and Uzbekistan), “registering property,” and “enforcing contracts” (all CCA countries score in the top third of countries globally and rank ahead of emerging-market and low-income country averages).<sup>2</sup>

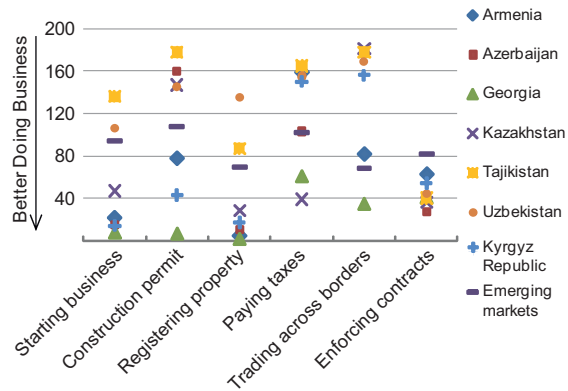
On average, there is little disparity in the CCA between rules-based measures of the business environment (such as DB) and practice-based ones (such as the World Bank and European Bank for Reconstruction and Development’s Business Environment and Enterprise Performance Survey [BEEPS]). DB rankings are based on an assessment of rules and regulations

Figure 1  
**Doing Business Change in Rank**  
(2006 to 2011)



Source: World Bank, Doing Business (DB) Survey.

Figure 2  
**Doing Business Ranking**  
(2011)



Source: World Bank, Doing Business (DB) Survey.

Prepared by Mark Horton, based on work by Carlos Caceres, Nadeem Ilahi, Anna Kochanova, Kamal Krishna, and Chunfang Yang.

<sup>1</sup> DB rankings cover the regulatory environment related to nine key steps needed to set up, operate, and close a business. See [www.doingbusiness.org](http://www.doingbusiness.org).

<sup>2</sup> Turkmenistan is not included in the World Bank’s Ease of Doing Business rankings.

**Box 3.4 (continued)**

in place, but on-the-ground experience with these rules may be different. Firm survey responses are a useful confirmation of whether a country’s formal rules and regulations for business activities are working in practice. These deviations appear to be less significant for the median firm surveyed by BEEPS, in comparison with countries in the Middle East and North Africa.<sup>3</sup> A comparison of the time it takes on average for a firm to receive a business license reveals that in Armenia, Azerbaijan, the Kyrgyz Republic, Tajikistan, and Uzbekistan, the median firm receives its license in fewer days than the number required to start a business according to DB (Figure 3).

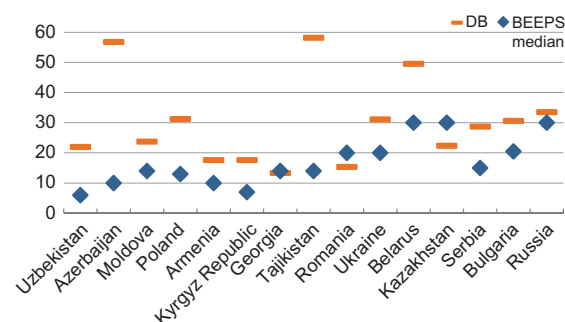
However, there is a wide divergence in practice on the ground within each country, suggesting smaller firms may be discriminated against. Firm-level responses also provide a way of assessing inclusivity, by investigating equality of treatment or access of firms to government services. The variation among firms in the number of days it takes them to obtain a business license is quite significant in some CCA countries (Figure 4). A comparison of the time it takes for the fastest 20 percent of firms to receive a license with that for the slowest 20 percent reveals wide dispersion, particularly in the Kyrgyz Republic and Kazakhstan, where the difference is about 30 days (and more than 50 days for the fastest and slowest 10 percent of firms in those two countries, plus Georgia and Tajikistan). This suggests lack of equal access, and such a disparity of treatment will need to be addressed to durably improve the business environment.

The business environment in CCA countries lags others on trade linkages, local markets, and research and development. The Global Competitiveness Indicator (GCI) of the World Economic Forum takes into account a broader range of business environment factors than DB.<sup>4</sup> While CCA countries rank on the overall GCI at par with or higher than low-income countries, they score well below the average rankings for emerging market economies. With the exception of Azerbaijan, the GCI subindicator rankings for CCA countries are notably

<sup>3</sup> See also Annex 2.2.

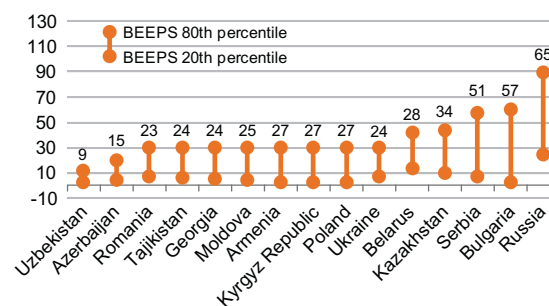
<sup>4</sup> This includes public and private institutions; transport, energy, and communications infrastructure; the macroeconomic environment; health and education quality; efficiency of goods, labor, and financial markets; technological advancement; and business sophistication and innovation. See [www.weforum.org](http://www.weforum.org).

**Figure 3**  
**Average Number of Days Required to Obtain an Operating License across Firms**



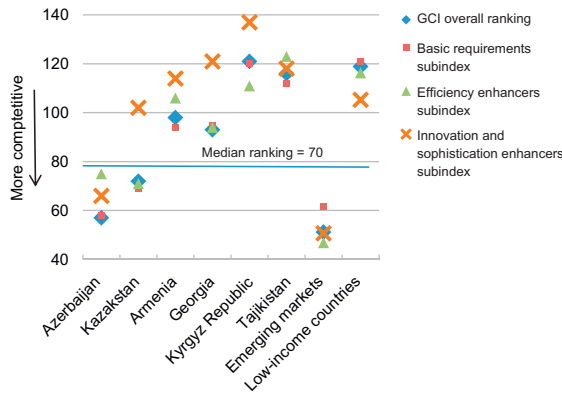
Sources: World Bank and European Bank for Reconstruction and Development Business Environment and Enterprise Performance Survey (BEEPS); and World Bank, Doing Business (DB) Survey.  
Note: For each country, the chart shows the time expected to start a business according to DB (e.g., approximately 20 days for Armenia) and the median number of days required to receive an operating license (just less than 10 days for Armenia). Data are averages for 2004–11.

**Figure 4**  
**Variability in Number of Days to Obtain an Operating Licence across Firms**  
(80th–20th percentile difference; sorted by 80th percentile)



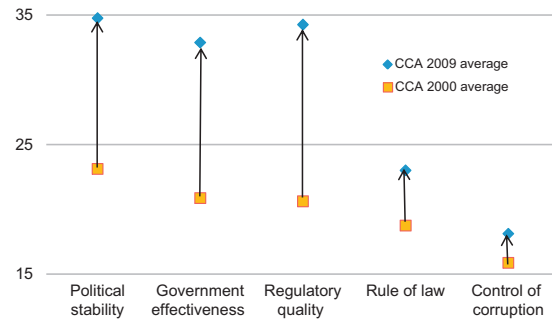
Sources: World Bank and European Bank for Reconstruction and Development, Business Environment and Enterprise Performance Survey (BEEPS); and World Bank, Doing Business (DB) Survey.  
Note: For each country, the chart shows the time required for licensing for the fastest and slowest 20 percent of firms covered by BEEPS (a difference of 27 days for Armenia). Data are averages for 2004–11.

Figure 5  
Global Competitiveness Ranking  
(2010)



Source: World Economic Forum, *Global Competitiveness Report 2010–2011*.

Figure 6  
Evolution of Governance Indicators  
(Country rankings, 2000 and 2009)



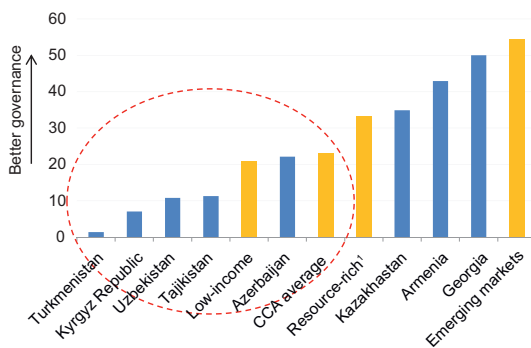
Source: World Bank, *Worldwide Governance Indicators, 2009*.

lower in the areas of “innovation” and “sophistication,” which depend upon international trade linkages, the extent and quality of local suppliers, and indicators of research and development (Figure 5).

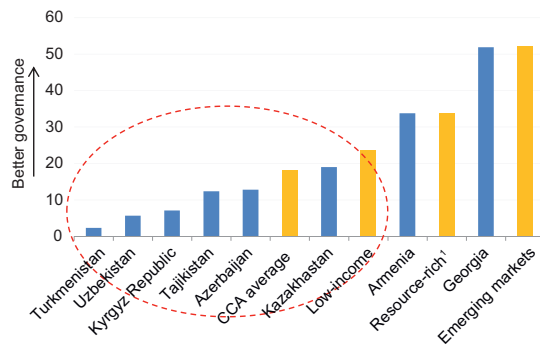
Despite significant progress over the past decade, governance remains weak in the CCA relative to the rest of the world. As noted previously,<sup>5</sup> CCA countries have made progress over the past decade in improving governance and institutions. However, according to global indicators, such as the World Bank’s World Governance Indicators, the rule of law and control of corruption remain relatively weak in the region, with the exception of Georgia (Figures 6 and 7).

Figure 7  
Governance Indicators

Rule of Law  
(Country rankings, 2010)



Control of Corruption  
(Country rankings, 2010)



Source: World Bank, *Worldwide Governance Indicators*.

<sup>1</sup>The *Resource-rich* group comprises the 41 resource-rich countries that are included in the Revenue Watch Institute’s 2010 index.

<sup>5</sup> See IMF, April 2011 *Regional Economic Outlook: Middle East and Central Asia*.

## Annex 3.1. Commodity Price Inflation and Monetary Policy in the CCA

*Recent developments in global commodity prices have renewed interest in discussion of appropriate monetary policy responses to food-price-based inflation pressures. Given the importance of food and fuel commodities in the consumption baskets of the CCA, closely monitoring the main drivers of inflation and suitably designing monetary policy responses will be essential to maintaining macroeconomic stability.*

### Inflation: Stylized Facts for the Region

The inflation process in CCA countries shares many features common to small open economies with large food shares in national consumption baskets. First, there is a positive comovement between headline inflation and international oil and food prices. Second, there is a positive comovement between international food prices and domestic food inflation (Figure 1). Third, food inflation in CCA countries is higher, more volatile, and more persistent than nonfood inflation (see table). Fourth, headline (or overall) inflation in CCA countries is higher, more volatile, and more persistent than core inflation (which typically excludes food prices from measured inflation).

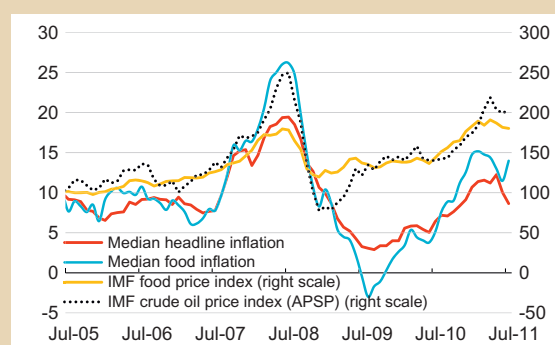
One of the most striking features of the CCA region is the very large share of food in national consumption baskets. Food shares of CCA countries are considerably larger than those of advanced economies and also larger than those of MENA countries (Figure 2).<sup>1</sup>

The correlation between headline inflation and food inflation is typically high and positive for all the countries in the region (Figure 3). This strong positive association between food inflation and headline inflation for CCA countries is far more pronounced than that in many advanced and emerging market economies, where monetary

Prepared by Agustín Roitman and Paul Cashin.

<sup>1</sup> Note that the CCA countries—Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan (oil and gas exporters)—and Armenia, Georgia, the Kyrgyz Republic, and Tajikistan (oil and gas importers)—are denoted by red bars in figures in this Annex.

Figure 1  
**CCA Countries: Headline Inflation**  
(Index; 2005 = 100, year-over-year percent growth)



Sources: IMF, *International Financial Statistics*; national authorities; and IMF staff calculations.

### Inflation Facts for CCA Countries

(Monthly, year-over-year percent growth, 1995–2011)

	Food	Nonfood	Headline	Core
Level	10	6	8	6
Volatility <sup>1</sup>	8	3	7	4
Persistence	0.97	0.92	0.97	0.95

Sources: National authorities; and IMF staff calculations.

Note: Level is measured using the median; volatility is measured using the standard deviation; persistence is measured by the first-order autoregressive coefficient. Core inflation is as defined by the national authorities and IMF staff.

<sup>1</sup>Uzbekistan is excluded from the headline volatility calculation because of data inconsistencies.

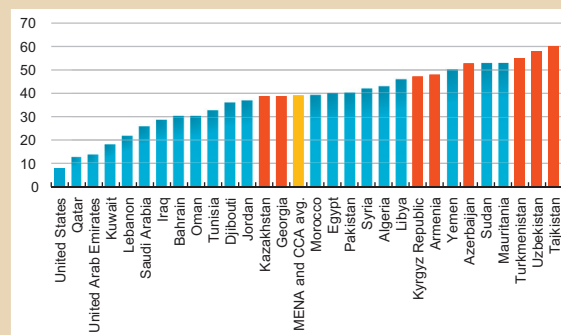
polymakers tend to focus on the evolution of core inflation in their policy deliberations.

As a result, a traditional argument in favor of core inflation—that it is a good predictor of future headline inflation and thereby a good indicator of the trend in overall inflation—is invalid for many food-consumption-dominated CCA countries.



Figure 2

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

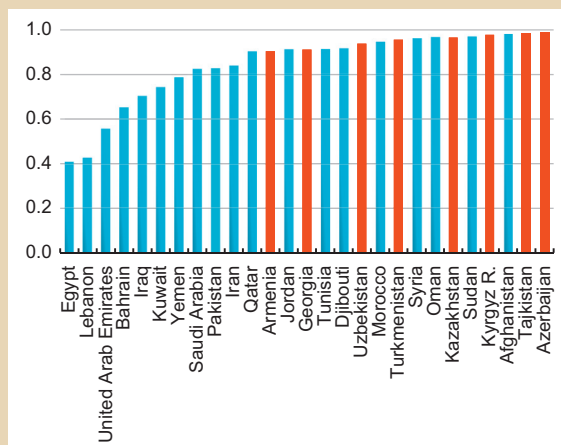


Sources: Eurostat; national authorities; and OECD StatExtracts.

Figure 3

### Correlation Coefficients between Headline and Food Inflation (1994–2011)

(1994–2011)



Sources: IMF, *International Financial Statistics*; and IMF staff calculations.

## The Core Is Not Enough<sup>2</sup>

Households in small open economies, subject to international commodity price fluctuations, are often financially constrained and tend to hold large amounts of cash to complete everyday retail transactions. Accordingly, accommodating international and domestic food price shocks, by emphasizing core (or nonfood) inflation, may harm the purchasing power of poor households

<sup>2</sup> Based on Agustín Roitman and Paul Cashin, forthcoming, “Inflation and Monetary Policy: The Core Is Not Enough,” IMF Working Paper.

and adversely affect the distribution of income. For countries where inflation is elevated, even before a commodity price spike, an accommodative monetary policy response may not be robust enough to contain inflation, as it will not be sufficiently countercyclical and so not “lean against the wind” when it is most needed (by disregarding volatility caused by commodity price shocks).

A focus on headline inflation implies taking into account available prices of all items included in national consumption baskets. In practice, many central banks focus on a subset of prices, or on stabilizing intermediate targets as a way of conducting and implementing monetary policy. This can certainly be complementary to, and should be in close connection with, the behavior of overall (headline) inflation. Furthermore, achieving lower headline inflation levels in the medium and long term might come at the cost of some output losses in the short term. The magnitude and duration of these output losses will depend chiefly on the extent of market rigidities (for example, labor market constraints), as well as the share of food and nonfood in domestic consumption baskets. In addition, in countries where monetary transmission mechanisms are somewhat weak and not fully developed, social safety nets can be used as an additional policy instrument to mitigate the impact of high food prices on poor households.

For food-consumption-dependent CCA countries, focusing monetary policy responses on headline inflation, while not ignoring core inflation as an important indicator of domestic inflation, can provide a realistic and accurate picture of overall inflation in the economy, help anchor inflation expectations, and allow monetary policymakers to react rapidly to help ensure price stability.<sup>3</sup> Those central banks monitoring a subset of prices (nonfood or core inflation) should certainly continue to do so, but should also use headline inflation as a key measure of potential future pressures on domestic prices to ensure a timely monetary policy response.

<sup>3</sup> For details, see James Bullard, 2011, “Measuring Inflation: The Core Is Rotten,” *Federal Reserve Bank of St. Louis Review*, 93(4) (July/August), pp. 223–33.

Finally, a “one-size-fits-all” policy prescription for CCA and MENA countries is unlikely to be appropriate, because countries face different constraints and use different tools to implement monetary policy in tackling inflation. Nonetheless, having a clear, simple, and transparent monetary framework—looking not only at nonfood (or

core) inflation, but paying greater attention to headline inflation—would enhance monetary policy credibility and help keep inflation and inflation expectations muted. It will also better connect monetary policymakers with their citizens, households, and businesses, who see price changes in the components of a broad measure of inflation.

## Selected Economic Indicators: CCA

	Average	2006	2007	2008	2009	2010	Projections	
	2000–05						2011	2012
<b>Real GDP Growth</b>	<b>9.4</b>	<b>13.6</b>	<b>12.3</b>	<b>6.8</b>	<b>3.7</b>	<b>6.7</b>	<b>5.6</b>	<b>6.2</b>
<i>(Annual change; percent)</i>								
Armenia	11.2	13.2	13.7	6.9	-14.1	2.1	4.6	4.3
Azerbaijan	11.3	34.5	25.0	10.8	9.3	5.0	0.2	7.1
Georgia	6.5	9.4	12.3	2.4	-3.8	6.4	5.5	5.2
Kazakhstan	10.3	10.7	8.9	3.2	1.2	7.3	6.5	5.6
Kyrgyz Republic	4.1	3.1	8.5	7.6	2.9	-1.4	7.0	6.0
Tajikistan	9.2	7.0	7.8	7.9	3.9	6.5	6.0	6.0
Turkmenistan	16.6	11.0	11.1	14.7	6.1	9.2	9.9	7.2
Uzbekistan	5.1	7.5	9.5	9.0	8.1	8.5	7.1	7.0
<b>Consumer Price Inflation</b>	<b>9.7</b>	<b>9.2</b>	<b>11.4</b>	<b>16.5</b>	<b>6.2</b>	<b>7.2</b>	<b>9.9</b>	<b>8.8</b>
<i>(Year average; percent)</i>								
Armenia	2.6	3.0	4.6	9.0	3.5	7.3	8.8	3.3
Azerbaijan	4.1	8.4	16.6	20.8	1.5	5.7	9.3	10.3
Georgia	5.5	9.2	9.2	10.0	1.7	7.1	9.6	5.0
Kazakhstan	8.2	8.6	10.8	17.2	7.4	7.4	8.9	7.9
Kyrgyz Republic	6.5	5.6	10.2	24.5	6.8	7.8	19.1	9.4
Tajikistan	19.1	10.0	13.2	20.4	6.5	6.5	13.6	10.0
Turkmenistan	8.4	8.2	6.3	14.5	-2.7	4.4	6.1	7.2
Uzbekistan	18.0	14.2	12.3	12.7	14.1	9.4	13.1	11.8
<b>General Government Fiscal Balance</b>	<b>0.6</b>	<b>4.2</b>	<b>3.1</b>	<b>6.2</b>	<b>1.0</b>	<b>3.8</b>	<b>2.5</b>	<b>2.9</b>
<i>(Percent of GDP)</i>								
Armenia <sup>1</sup>	-2.6	-2.0	-2.3	-1.8	-7.7	-4.9	-3.8	-3.1
Azerbaijan <sup>1</sup>	0.2	-0.2	2.6	20.3	7.2	15.3	9.8	10.1
Georgia	-1.1	-3.0	-4.7	-6.3	-9.2	-6.6	-3.7	-3.3
Kazakhstan	2.4	7.2	4.7	1.1	-1.4	1.4	1.7	1.7
Kyrgyz Republic	-5.6	-2.1	-0.3	0.0	-3.5	-6.5	-8.4	-7.7
Tajikistan	-3.0	1.7	-5.5	-5.1	-5.2	-3.0	-4.9	-4.2
Turkmenistan <sup>2</sup>	1.0	5.3	3.9	10.0	7.6	2.3	0.5	1.4
Uzbekistan	-0.6	5.4	5.2	10.7	3.1	4.8	3.3	4.6
<b>Current Account Balance</b>	<b>-1.6</b>	<b>3.2</b>	<b>1.6</b>	<b>8.9</b>	<b>0.3</b>	<b>5.8</b>	<b>7.3</b>	<b>6.1</b>
<i>(Percent of GDP)</i>								
Armenia	-6.4	-1.8	-6.4	-11.8	-15.8	-13.9	-11.7	-10.7
Azerbaijan	-12.2	17.6	27.3	35.5	23.6	27.7	22.7	19.3
Georgia	-8.0	-15.1	-19.7	-22.6	-11.2	-9.6	-10.8	-9.2
Kazakhstan	-1.4	-2.5	-8.1	4.7	-3.8	2.9	5.9	4.6
Kyrgyz Republic	-0.1	-3.1	-0.2	-8.1	0.7	-7.2	-7.7	-7.6
Tajikistan	-2.8	-2.8	-8.6	-7.6	-5.9	2.1	-3.6	-6.7
Turkmenistan	4.1	15.7	15.5	16.5	-16.0	-11.7	-2.9	-2.6
Uzbekistan	3.8	9.1	7.3	8.7	2.2	6.7	8.0	7.4

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

<sup>1</sup>Central government.<sup>2</sup>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 refer to calendar years, except for those for the following countries, which refer to fiscal years: Afghanistan and Iran (March 21/March 20), Qatar (April/March), and Egypt and Pakistan (July/June).

Data in Tables 5 and 6 relate to the calendar year for all aggregates and countries, except for those for Iran, for which the Iranian calendar year (beginning on March 21) is used.

In Tables 3, 4, 10, and 11, "oil" includes gas, which is also an important resource in several countries.

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

- Country group composites for the growth rates of monetary aggregates (Table 7) are weighted by GDP converted to U.S. dollars at market exchange rates (both GDP and exchange rates are averaged over the preceding three years) as a share of MCD or group GDP.
- Composites for other data relating to the domestic economy (Tables 1, 3, and 5–13), whether growth rates or ratios, are weighted by GDP valued at purchasing power parities (PPPs) as a share of total MCD or group GDP.
- Composites relating to the external economy (Tables 17 and 19) are sums of individual-country data after conversion to U.S. dollars at the average market exchange rates in the years indicated, for balance of payments data, and at end-of-year market exchange rates, for debt denominated in U.S. dollars.

In Tables 2, 4, 15–17, and 19, lines in boldface are sums of the individual-country data.

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

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>5.2</b>	<b>6.0</b>	<b>6.7</b>	<b>4.5</b>	<b>2.6</b>	<b>4.4</b>	<b>3.9</b>	<b>3.7</b>
<b>Oil exporters<sup>1</sup></b>	<b>5.6</b>	<b>5.9</b>	<b>6.8</b>	<b>4.0</b>	<b>1.8</b>	<b>4.4</b>	<b>4.9</b>	<b>3.9</b>
Algeria	4.5	2.0	3.0	2.4	2.4	3.3	2.9	3.3
Bahrain	6.0	6.7	8.4	6.3	3.1	4.1	1.5	3.6
Iran, I.R. of	5.5	5.8	10.8	0.6	3.5	3.2	2.5	3.4
Iraq	...	6.2	1.5	9.5	4.2	0.8	9.6	12.6
Kuwait	7.1	5.3	4.5	5.0	-5.2	3.4	5.7	4.5
Libya	4.3	6.7	7.5	2.3	-2.3	4.2	...	...
Oman	3.3	5.5	6.7	12.9	1.1	4.1	4.4	3.6
Qatar	8.7	26.2	18.0	17.7	12.0	16.6	18.7	6.0
Saudi Arabia	4.0	3.2	2.0	4.2	0.1	4.1	6.5	3.6
Sudan	6.3	9.4	10.2	3.7	4.6	6.5	-0.2	-0.4
United Arab Emirates	8.1	8.8	6.5	5.3	-3.2	3.2	3.3	3.8
Yemen	4.5	3.2	3.3	3.6	3.9	8.0	-2.5	-0.5
<b>Oil importers</b>	<b>4.4</b>	<b>6.2</b>	<b>6.5</b>	<b>5.5</b>	<b>4.2</b>	<b>4.3</b>	<b>1.9</b>	<b>3.1</b>
Afghanistan, Rep. of	...	5.6	13.7	3.6	20.9	8.2	7.1	7.2
Djibouti	2.4	4.8	5.1	5.8	5.0	3.5	4.8	5.1
Egypt	4.0	6.8	7.1	7.2	4.7	5.1	1.2	1.8
Jordan	6.0	8.1	8.2	7.2	5.5	2.3	2.5	2.9
Lebanon	3.4	0.6	7.5	9.3	8.5	7.5	1.5	3.5
Mauritania	3.7	11.4	1.0	3.5	-1.2	5.2	5.1	5.7
Morocco	4.4	7.8	2.7	5.6	4.9	3.7	4.6	4.6
Pakistan	5.0	5.8	6.8	3.7	1.7	3.8	2.6	3.8
Syrian Arab Republic	3.8	5.0	5.7	4.5	6.0	3.2	-2.0	1.5
Tunisia	4.4	5.7	6.3	4.5	3.1	3.1	0.0	3.9
<b>CCA</b>	<b>9.4</b>	<b>13.6</b>	<b>12.3</b>	<b>6.8</b>	<b>3.7</b>	<b>6.7</b>	<b>5.6</b>	<b>6.2</b>
<b>Oil and gas exporters</b>	<b>9.7</b>	<b>14.5</b>	<b>12.6</b>	<b>7.0</b>	<b>4.9</b>	<b>7.2</b>	<b>5.6</b>	<b>6.4</b>
Azerbaijan	11.3	34.5	25.0	10.8	9.3	5.0	0.2	7.1
Kazakhstan	10.3	10.7	8.9	3.2	1.2	7.3	6.5	5.6
Turkmenistan	16.6	11.0	11.1	14.7	6.1	9.2	9.9	7.2
Uzbekistan	5.1	7.5	9.5	9.0	8.1	8.5	7.1	7.0
<b>Oil and gas importers</b>	<b>7.7</b>	<b>8.8</b>	<b>11.2</b>	<b>5.7</b>	<b>-3.5</b>	<b>3.9</b>	<b>5.7</b>	<b>5.3</b>
Armenia	11.2	13.2	13.7	6.9	-14.1	2.1	4.6	4.3
Georgia	6.5	9.4	12.3	2.4	-3.8	6.4	5.5	5.2
Kyrgyz Republic	4.1	3.1	8.5	7.6	2.9	-1.4	7.0	6.0
Tajikistan	9.2	7.0	7.8	7.9	3.9	6.5	6.0	6.0
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>5.2</b>	<b>6.0</b>	<b>6.7</b>	<b>4.6</b>	<b>2.6</b>	<b>4.4</b>	<b>4.0</b>	<b>3.6</b>
<b>MENA oil importers</b>	<b>4.1</b>	<b>6.4</b>	<b>6.1</b>	<b>6.4</b>	<b>4.9</b>	<b>4.5</b>	<b>1.4</b>	<b>2.6</b>
<b>GCC</b>	<b>5.5</b>	<b>6.5</b>	<b>5.0</b>	<b>6.4</b>	<b>0.3</b>	<b>5.4</b>	<b>7.2</b>	<b>4.0</b>
<b>Maghreb<sup>1</sup></b>	<b>4.4</b>	<b>4.8</b>	<b>4.2</b>	<b>3.5</b>	<b>2.4</b>	<b>3.5</b>	<b>2.9</b>	<b>3.9</b>
<b>Mashreq</b>	<b>4.0</b>	<b>6.1</b>	<b>7.0</b>	<b>6.9</b>	<b>5.2</b>	<b>4.9</b>	<b>0.8</b>	<b>1.9</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 2. Nominal GDP**  
(Billion U.S. dollars)

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>1,043.7</b>	<b>1,704.5</b>	<b>2,017.4</b>	<b>2,506.3</b>	<b>2,238.0</b>	<b>2,581.2</b>	<b>2,967.4</b>	<b>3,127.7</b>
<b>Oil exporters<sup>1</sup></b>	<b>738.4</b>	<b>1,288.2</b>	<b>1,534.7</b>	<b>1,926.8</b>	<b>1,623.9</b>	<b>1,905.1</b>	<b>2,223.0</b>	<b>2,311.6</b>
Algeria	70.4	117.3	134.3	170.2	139.8	157.8	183.4	188.6
Bahrain	9.8	15.8	18.5	22.1	19.3	22.7	26.4	27.3
Iran, I.R. of	135.3	222.1	309.1	353.8	362.6	407.4	475.1	494.5
Iraq	...	45.1	57.0	86.5	64.2	81.1	108.6	118.7
Kuwait	49.8	101.6	114.7	148.8	109.5	132.6	171.1	176.6
Libya	33.2	55.1	69.0	95.3	58.8	71.3	...	...
Oman	22.7	36.8	41.9	60.6	46.9	57.9	66.8	68.8
Qatar	25.7	60.8	79.5	115.0	97.6	127.3	173.2	180.7
Saudi Arabia	223.7	356.6	385.2	476.9	377.2	448.4	560.3	581.9
Sudan	17.8	35.7	45.7	55.7	52.7	65.4	63.3	59.3
United Arab Emirates	128.3	222.1	258.2	314.8	270.3	302.0	358.1	375.9
Yemen	12.1	19.1	21.7	26.9	25.1	31.3	36.7	39.3
<b>Oil importers</b>	<b>305.3</b>	<b>416.3</b>	<b>482.7</b>	<b>579.4</b>	<b>614.1</b>	<b>676.1</b>	<b>744.4</b>	<b>816.1</b>
Afghanistan, Rep. of	...	7.1	8.7	10.2	12.5	15.5	17.9	19.1
Djibouti	0.6	0.8	0.8	1.0	1.0	1.1	1.3	1.4
Egypt	88.7	107.4	130.3	162.4	188.6	218.5	231.9	252.8
Jordan	10.2	15.1	17.1	22.0	23.8	26.4	28.4	30.9
Lebanon	19.6	22.4	25.1	30.1	34.9	39.2	41.5	44.9
Mauritania	1.3	2.7	2.8	3.5	3.0	3.6	4.0	4.3
Morocco	46.9	65.6	75.2	88.9	90.9	91.1	101.8	109.2
Pakistan	85.0	127.5	143.2	163.9	161.8	176.9	204.1	233.8
Syrian Arab Republic	23.2	33.4	40.4	52.6	53.9	59.3	64.7	67.5
Tunisia	26.3	34.4	38.9	44.9	43.5	44.3	48.9	52.2
<b>CCA</b>	<b>73.4</b>	<b>160.3</b>	<b>211.4</b>	<b>266.5</b>	<b>239.6</b>	<b>292.7</b>	<b>352.6</b>	<b>395.8</b>
<b>Oil and gas exporters</b>	<b>62.9</b>	<b>140.5</b>	<b>184.5</b>	<b>231.7</b>	<b>210.5</b>	<b>261.4</b>	<b>316.5</b>	<b>356.9</b>
Azerbaijan	7.7	21.0	33.1	46.4	43.1	54.4	68.5	80.8
Kazakhstan	32.7	81.0	103.1	135.2	115.3	148.0	180.1	200.0
Turkmenistan	10.6	21.4	26.0	21.5	18.7	20.0	24.1	27.7
Uzbekistan	11.9	17.0	22.3	28.6	33.5	39.0	43.7	48.4
<b>Oil and gas importers</b>	<b>10.5</b>	<b>19.8</b>	<b>26.9</b>	<b>34.8</b>	<b>29.1</b>	<b>31.3</b>	<b>36.1</b>	<b>38.9</b>
Armenia	2.9	6.4	9.2	11.7	8.6	9.4	10.2	10.5
Georgia	4.2	7.8	10.2	12.9	10.8	11.7	13.8	14.9
Kyrgyz Republic	1.8	2.8	3.8	5.1	4.7	4.6	5.4	6.1
Tajikistan	1.5	2.8	3.7	5.1	5.0	5.6	6.8	7.5
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>955.2</b>	<b>1,569.9</b>	<b>1,865.5</b>	<b>2,332.2</b>	<b>2,063.7</b>	<b>2,388.8</b>	<b>2,745.4</b>	<b>2,874.8</b>
<b>MENA oil exporters</b>	<b>216.9</b>	<b>281.8</b>	<b>330.8</b>	<b>405.3</b>	<b>439.8</b>	<b>483.6</b>	<b>522.5</b>	<b>563.2</b>
<b>GCC</b>	<b>460.0</b>	<b>793.8</b>	<b>897.9</b>	<b>1,138.3</b>	<b>920.8</b>	<b>1,090.8</b>	<b>1,355.9</b>	<b>1,411.3</b>
<b>Maghreb<sup>1</sup></b>	<b>178.2</b>	<b>275.1</b>	<b>320.3</b>	<b>402.9</b>	<b>336.0</b>	<b>368.1</b>	<b>338.1</b>	<b>354.4</b>
<b>Mashreq</b>	<b>141.7</b>	<b>178.3</b>	<b>213.0</b>	<b>267.1</b>	<b>301.3</b>	<b>343.5</b>	<b>366.5</b>	<b>396.0</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 3. Oil Exporters: Oil and Non-Oil Real GDP Growth**  
(Annual change; percent)

	Average	2006	2007	2008	2009	2010	Proj.	
	2000–05						2011	2012
<b>Non-Oil GDP</b>								
<b>MENAP oil exporters<sup>1</sup></b>	<b>5.9</b>	<b>7.9</b>	<b>8.8</b>	<b>4.9</b>	<b>4.5</b>	<b>4.5</b>	<b>4.2</b>	<b>4.5</b>
Algeria	4.8	5.6	6.3	5.9	9.3	6.0	5.3	5.3
Bahrain	7.8	8.1	9.6	7.2	3.6	4.6	0.8	3.2
Iran, I.R. of	5.9	6.2	11.4	0.9	4.3	3.6	2.6	3.5
Iraq	...	7.5	-2.0	5.4	4.0	4.5	5.0	5.5
Kuwait	9.7	7.2	9.7	6.1	-1.2	3.5	5.5	6.3
Libya	2.8	10.7	14.8	7.9	6.0	7.0	...	...
Oman	6.0	11.3	13.1	16.1	-0.8	3.0	4.3	5.3
Qatar	9.5	42.1	21.6	21.3	17.6	8.4	9.0	8.4
Saudi Arabia	4.0	5.1	4.6	4.3	3.5	4.9	5.4	5.0
Sudan	5.0	7.7	7.5	5.0	4.9	7.7	4.0	2.8
United Arab Emirates	9.6	9.5	9.1	6.3	0.6	2.1	3.3	3.9
Yemen	5.2	4.7	5.3	4.8	4.1	4.4	-1.5	-1.2
<b>CCA oil and gas exporters</b>	<b>10.6</b>	<b>11.2</b>	<b>9.9</b>	<b>8.3</b>	<b>2.8</b>	<b>7.3</b>	<b>7.4</b>	<b>6.2</b>
Azerbaijan	10.5	12.1	11.3	15.7	3.0	7.6	8.9	6.2
Kazakhstan	9.7	10.8	9.1	3.2	0.5	6.9	6.6	6.0
Turkmenistan	17.2	11.6	10.7	18.6	14.8	8.8	8.0	7.5
Uzbekistan	...	...	...	...	...	...	...	...
<i>Memorandum</i>								
<b>GCC</b>	<b>6.3</b>	<b>9.5</b>	<b>8.2</b>	<b>7.3</b>	<b>3.6</b>	<b>4.5</b>	<b>5.3</b>	<b>5.3</b>
<b>Oil GDP</b>								
<b>MENAP oil exporters<sup>1</sup></b>	<b>5.5</b>	<b>2.6</b>	<b>2.1</b>	<b>1.4</b>	<b>-4.6</b>	<b>3.7</b>	<b>4.5</b>	<b>1.1</b>
Algeria	4.1	-2.5	-0.9	-2.3	-6.0	-2.6	-1.5	0.5
Bahrain	-1.0	-1.0	1.1	0.4	-0.3	0.1	6.2	7.0
Iran, I.R. of	2.9	2.7	5.8	-2.0	-3.7	0.0	1.5	2.5
Iraq	...	5.3	4.0	12.3	4.3	-1.5	12.8	17.0
Kuwait	4.5	2.8	-2.6	3.3	-11.3	3.2	6.1	1.3
Libya	5.6	4.3	2.8	-1.6	-8.9	1.6	...	...
Oman	0.6	-2.5	-3.5	6.8	4.9	6.2	4.4	0.5
Qatar	8.1	11.7	13.8	13.2	4.5	28.8	31.0	3.6
Saudi Arabia	4.3	-0.8	-3.6	4.2	-7.8	2.2	9.4	0.0
Sudan	49.7	26.5	33.0	-4.4	2.6	-2.6	-35.9	-44.1
United Arab Emirates	3.9	6.5	-2.7	1.6	-9.6	5.3	3.4	3.6
Yemen	0.8	-8.3	-13.1	-8.1	1.6	51.0	-10.1	6.3
<b>CCA oil and gas exporters</b>	<b>15.9</b>	<b>22.0</b>	<b>15.4</b>	<b>3.6</b>	<b>4.6</b>	<b>9.0</b>	<b>4.6</b>	<b>4.1</b>
Azerbaijan	13.2	62.0	37.3	6.9	14.8	4.9	-8.1	8.2
Kazakhstan	16.3	9.9	6.9	2.8	7.1	10.2	6.1	2.1
Turkmenistan	17.4	8.6	12.6	-0.7	-35.5	12.9	25.3	5.2
Uzbekistan	...	...	...	...	...	...	...	...
<i>Memorandum</i>								
<b>GCC</b>	<b>4.1</b>	<b>2.0</b>	<b>-1.7</b>	<b>4.5</b>	<b>-6.3</b>	<b>6.3</b>	<b>10.4</b>	<b>1.5</b>

Sources: National authorities; and IMF staff estimates and projections.  
<sup>1</sup>2011 and 2012 data exclude Libya.



**Table 4. Oil Exporters: Crude Oil Production and Exports**  
(Million barrels per day)

	Average	2006	2007	2008	2009	2010	Proj.	
	2000–05						2011	2012
	<b>Production</b>							
<b>MENAP oil exporters<sup>1</sup></b>	<b>22.0</b>	<b>26.0</b>	<b>25.8</b>	<b>26.3</b>	<b>24.3</b>	<b>24.5</b>	<b>24.1</b>	<b>24.6</b>
Algeria	1.1	1.4	1.4	1.3	1.3	1.2	1.2	1.2
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Iran, I.R. of	3.7	4.0	4.1	3.9	3.6	3.6	3.6	3.7
Iraq	...	2.0	2.0	2.3	2.4	2.4	2.7	3.1
Kuwait	2.1	2.6	2.6	2.7	2.3	2.3	2.5	2.5
Libya	1.5	1.8	1.8	1.8	1.6	1.6	...	...
Oman	0.9	0.7	0.7	0.8	0.8	0.9	0.9	0.9
Qatar	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.7
Saudi Arabia	8.3	9.2	8.8	9.2	8.4	8.4	9.3	9.3
Sudan	0.2	0.4	0.5	0.5	0.5	0.5	0.3	0.2
United Arab Emirates	2.2	2.6	2.5	2.6	2.3	2.4	2.5	2.6
Yemen	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.3
<b>CCA oil and gas exporters</b>	<b>1.5</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>2.9</b>	<b>3.1</b>
Azerbaijan	0.3	0.6	0.8	0.9	1.0	1.0	0.9	1.0
Kazakhstan	1.0	1.3	1.4	1.5	1.6	1.7	1.8	1.8
Turkmenistan	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Uzbekistan	...	...	...	...	...	...	...	...
<i>Memorandum</i>								
<b>GCC</b>	<b>14.4</b>	<b>16.2</b>	<b>15.7</b>	<b>16.2</b>	<b>14.8</b>	<b>14.9</b>	<b>16.1</b>	<b>16.2</b>
	<b>Exports<sup>2</sup></b>							
<b>MENAP oil exporters<sup>1</sup></b>	<b>16.1</b>	<b>19.5</b>	<b>19.6</b>	<b>20.0</b>	<b>17.8</b>	<b>18.1</b>	<b>17.9</b>	<b>18.2</b>
Algeria	0.7	0.9	0.9	0.8	0.7	0.7	0.7	0.7
Bahrain	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Iran, I.R. of	...	2.4	2.5	2.4	2.1	2.0	2.0	2.0
Iraq	...	1.4	1.6	1.8	1.9	1.9	2.1	2.5
Kuwait	1.3	1.7	1.7	1.7	1.4	1.4	1.5	1.4
Libya	1.1	1.4	1.5	1.4	1.2	1.2	...	...
Oman	0.8	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Qatar	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Saudi Arabia	6.4	7.0	7.0	7.3	6.3	6.6	7.4	7.4
Sudan	0.2	0.2	0.4	0.4	0.4	0.4	0.3	0.1
United Arab Emirates	2.0	2.4	2.3	2.4	2.1	2.1	2.2	2.3
Yemen	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
<b>CCA oil and gas exporters</b>	<b>1.1</b>	<b>1.7</b>	<b>2.0</b>	<b>2.1</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>
Azerbaijan	0.2	0.6	0.7	0.8	0.9	0.9	0.8	0.9
Kazakhstan	0.9	1.1	1.2	1.2	1.4	1.5	1.6	1.7
Turkmenistan	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Uzbekistan	...	...	...	...	...	...	...	...
<i>Memorandum</i>								
<b>GCC</b>	<b>11.4</b>	<b>12.7</b>	<b>12.5</b>	<b>13.0</b>	<b>11.3</b>	<b>11.8</b>	<b>12.6</b>	<b>12.6</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Excluding exports of refined oil products.

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

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP<sup>1</sup></b>	<b>4.9</b>	<b>8.2</b>	<b>9.8</b>	<b>14.4</b>	<b>7.7</b>	<b>7.4</b>	<b>10.6</b>	<b>8.3</b>
<b>Oil exporters<sup>1</sup></b>	<b>5.4</b>	<b>8.8</b>	<b>11.2</b>	<b>14.9</b>	<b>5.9</b>	<b>6.7</b>	<b>11.1</b>	<b>7.7</b>
Algeria	2.3	2.3	3.6	4.9	5.7	3.9	3.9	4.3
Bahrain	0.7	2.0	3.3	3.5	2.8	2.0	1.0	1.8
Iran, I.R. of	13.5	11.9	18.4	25.4	10.8	12.4	22.5	12.5
Iraq	5.6	53.2	30.8	2.7	-2.2	2.4	5.0	5.0
Kuwait	1.7	3.1	5.5	10.6	4.0	4.1	6.2	3.4
Libya	-3.3	1.4	6.2	10.4	2.8	2.5	...	...
Oman	0.1	3.4	5.9	12.6	3.5	3.3	3.8	3.3
Qatar	3.5	11.8	13.8	15.0	-4.9	-2.4	2.3	4.1
Saudi Arabia	-0.1	2.3	4.1	9.9	5.1	5.4	5.4	5.3
Sudan	7.6	7.2	8.0	14.3	11.3	13.0	20.0	17.5
United Arab Emirates	3.6	9.3	11.1	12.3	1.6	0.9	2.5	2.5
Yemen	11.6	10.8	7.9	19.0	3.7	11.2	19.0	18.0
<b>Oil importers</b>	<b>3.9</b>	<b>7.1</b>	<b>7.0</b>	<b>13.3</b>	<b>11.1</b>	<b>8.7</b>	<b>9.8</b>	<b>9.6</b>
Afghanistan, Rep. of	...	7.2	8.6	30.5	-8.3	0.9	13.4	1.2
Djibouti	2.1	3.5	5.0	12.0	1.7	4.0	7.1	1.9
Egypt	4.7	7.6	9.5	18.3	11.7	11.4	11.2	11.0
Jordan	2.1	6.3	4.7	13.9	-0.7	5.0	5.4	5.6
Lebanon	0.5	5.6	4.1	10.8	1.2	4.5	5.9	5.0
Mauritania	6.6	6.2	7.3	7.3	2.2	6.3	6.2	6.3
Morocco	1.5	3.3	2.0	3.9	1.0	1.0	1.5	2.7
Pakistan	4.6	7.9	7.8	12.0	20.8	11.7	13.9	14.0
Syrian Arab Republic	2.7	10.4	4.7	15.2	2.8	4.4	6.0	5.0
Tunisia	2.7	4.1	3.4	4.9	3.5	4.4	3.5	4.0
<b>CCA</b>	<b>9.7</b>	<b>9.2</b>	<b>11.4</b>	<b>16.5</b>	<b>6.2</b>	<b>7.2</b>	<b>9.9</b>	<b>8.8</b>
<b>Oil and gas exporters</b>	<b>10.0</b>	<b>9.7</b>	<b>11.9</b>	<b>16.8</b>	<b>6.5</b>	<b>7.2</b>	<b>9.6</b>	<b>9.2</b>
Azerbaijan	4.1	8.4	16.6	20.8	1.5	5.7	9.3	10.3
Kazakhstan	8.2	8.6	10.8	17.2	7.4	7.4	8.9	7.9
Turkmenistan	8.4	8.2	6.3	14.5	-2.7	4.4	6.1	7.2
Uzbekistan	18.0	14.2	12.3	12.7	14.1	9.4	13.1	11.8
<b>Oil and gas importers</b>	<b>7.8</b>	<b>6.9</b>	<b>8.8</b>	<b>14.4</b>	<b>4.2</b>	<b>7.1</b>	<b>12.0</b>	<b>6.5</b>
Armenia	2.6	3.0	4.6	9.0	3.5	7.3	8.8	3.3
Georgia	5.5	9.2	9.2	10.0	1.7	7.1	9.6	5.0
Kyrgyz Republic	6.5	5.6	10.2	24.5	6.8	7.8	19.1	9.4
Tajikistan	19.1	10.0	13.2	20.4	6.5	6.5	13.6	10.0
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>4.9</b>	<b>8.3</b>	<b>10.1</b>	<b>14.6</b>	<b>6.1</b>	<b>6.9</b>	<b>10.2</b>	<b>7.7</b>
<b>MENA oil exporters</b>	<b>3.4</b>	<b>6.7</b>	<b>6.6</b>	<b>13.5</b>	<b>7.0</b>	<b>7.5</b>	<b>7.7</b>	<b>7.6</b>
<b>GCC</b>	<b>1.1</b>	<b>4.6</b>	<b>6.6</b>	<b>11.0</b>	<b>3.0</b>	<b>3.2</b>	<b>4.3</b>	<b>4.2</b>
<b>Maghreb<sup>1</sup></b>	<b>1.4</b>	<b>2.8</b>	<b>3.6</b>	<b>5.5</b>	<b>3.7</b>	<b>3.1</b>	<b>3.1</b>	<b>3.8</b>
<b>Mashreq</b>	<b>3.9</b>	<b>7.8</b>	<b>8.0</b>	<b>17.0</b>	<b>8.8</b>	<b>9.4</b>	<b>9.7</b>	<b>9.3</b>

Sources: National authorities; and IMF staff estimates and projections.  
<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 6. Core Consumer Price Inflation**  
(Year average; percent)

	Average	2006	2007	2008	2009	2010	Proj.	
	2000–05						2011	2012
<b>MENAP<sup>1,2</sup></b>	...	<b>8.0</b>	<b>7.3</b>	<b>12.8</b>	<b>7.4</b>	<b>6.5</b>	...	...
<b>Oil exporters<sup>2</sup></b>	...	<b>9.3</b>	<b>8.3</b>	<b>14.0</b>	<b>6.4</b>	<b>6.2</b>	...	...
Algeria	...	...	...	...	...	...	...	...
Bahrain	...	...	...	...	...	...	...	...
Iran, I.R. of	14.4	13.5	12.6	24.7	11.6	10.7	...	...
Iraq	...	31.7	19.3	13.0	5.1	2.9	5.0	5.0
Kuwait	...	3.0	4.8	9.1	3.7	2.2	...	...
Libya	...	...	...	-1.4	3.6	10.4	...	...
Oman	...	...	2.3	5.9	3.4	4.0	3.7	3.2
Qatar	...	4.7	4.4	9.7	-1.6	2.8	...	...
Saudi Arabia	...	1.2	1.4	5.0	3.4	3.1	3.1	3.5
Sudan	6.0	14.9	15.8	8.0	10.2	9.9	15.9	14.4
United Arab Emirates	...	...	...	...	2.9	0.8	...	...
Yemen	8.9	10.9	9.2	20.3	3.8	10.6	...	...
<b>Oil importers</b>	<b>2.9</b>	<b>5.9</b>	<b>5.5</b>	<b>10.9</b>	<b>9.1</b>	<b>6.9</b>	<b>6.6</b>	...
Afghanistan, Rep. of	...	8.6	4.5	9.5	4.8	5.9	11.9	2.6
Djibouti	2.5	1.7	2.3	4.2	-1.4	4.1	...	...
Egypt	...	6.2	7.9	18.9	8.5	6.9	...	...
Jordan	0.7	2.1	2.5	4.5	3.2	3.6	3.7	3.8
Lebanon	...	...	...	...	0.4	3.7	...	...
Mauritania	...	...	...	...	...	...	...	...
Morocco	1.6	2.8	1.1	1.5	1.0	0.8	0.6	1.1
Pakistan	3.6	7.2	6.2	8.5	17.6	11.0	9.7	...
Syrian Arab Republic	...	...	1.0	6.4	0.6	3.5	4.5	4.0
Tunisia	2.2	4.0	3.7	4.3	3.1	3.3	3.5	4.0
<b>CCA<sup>1</sup></b>	...	<b>7.0</b>	<b>7.6</b>	<b>13.3</b>	<b>6.5</b>	<b>6.7</b>	<b>6.9</b>	<b>8.7</b>
<b>Oil and gas exporters</b>	...	<b>7.6</b>	<b>7.8</b>	<b>14.2</b>	<b>6.6</b>	<b>6.5</b>	<b>7.3</b>	<b>9.5</b>
Azerbaijan	...	...	6.3	22.1	1.6	3.5	9.6	12.5
Kazakhstan	...	8.0	8.9	10.7	9.4	7.9	6.5	8.3
Turkmenistan	...	5.1	4.7	14.4	4.5	6.6	6.3	8.3
Uzbekistan	...	...	...	...	...	...	...	...
<b>Oil and gas importers</b>	...	<b>5.0</b>	<b>6.5</b>	<b>9.3</b>	<b>6.2</b>	<b>7.4</b>	<b>5.1</b>	<b>5.2</b>
Armenia	...	3.4	2.3	7.0	8.2	6.9	3.5	5.7
Georgia	...	6.5	8.5	8.2	0.9	8.3	2.8	3.2
Kyrgyz Republic	...	2.6	7.6	15.5	13.0	8.1	11.0	8.0
Tajikistan	...	6.7	8.2	9.0	5.9	6.0	5.7	5.3
<i>Memorandum</i>								
<b>MENA<sup>1,2</sup></b>	...	<b>8.2</b>	<b>7.4</b>	<b>13.5</b>	<b>6.1</b>	<b>5.9</b>	...	...
<b>MENA oil importers</b>	...	<b>5.1</b>	<b>5.2</b>	<b>12.2</b>	<b>5.1</b>	<b>4.9</b>	...	...
<b>GCC</b>	...	<b>1.9</b>	<b>2.3</b>	<b>6.3</b>	<b>2.8</b>	<b>2.5</b>	<b>3.2</b>	<b>3.5</b>
<b>Maghreb<sup>2</sup></b>	...	...	...	<b>1.5</b>	<b>2.3</b>	<b>4.1</b>	...	...
<b>Mashreq</b>	...	<b>5.9</b>	<b>6.4</b>	<b>16.0</b>	<b>6.3</b>	<b>6.0</b>	...	...

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

<sup>1</sup>Core inflation uses country-specific definitions of core in its calculation.

<sup>2</sup>2011 and 2012 data exclude Libya.

**Table 7. Broad Money Growth**  
(Annual change; percent)

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>15.9</b>	<b>21.8</b>	<b>25.1</b>	<b>18.4</b>	<b>12.8</b>	<b>12.3</b>	<b>13.5</b>	<b>12.5</b>
<b>Oil exporters<sup>1</sup></b>	<b>17.2</b>	<b>24.8</b>	<b>28.0</b>	<b>19.2</b>	<b>13.6</b>	<b>12.9</b>	<b>14.8</b>	<b>12.8</b>
Algeria	14.8	18.6	24.1	16.1	3.1	13.8	14.2	13.1
Bahrain	10.4	14.9	40.8	18.4	6.5	10.4	9.1	3.4
Iran, I.R. of	30.7	39.2	28.6	15.2	23.5	26.7	23.8	15.9
Iraq	...	34.6	37.3	35.4	26.7	16.7	23.3	26.2
Kuwait	9.3	21.7	19.3	15.6	13.4	3.0	5.2	10.2
Libya	9.7	15.0	37.3	47.3	11.1	10.0	...	...
Oman	8.0	24.9	37.2	23.1	4.7	11.3	7.5	10.7
Qatar	20.3	38.0	39.5	19.7	16.9	23.1	20.5	11.8
Saudi Arabia	10.8	19.3	19.6	17.6	10.7	5.0	10.8	11.5
Sudan	32.4	27.4	10.3	16.3	23.5	25.4	20.7	23.0
United Arab Emirates	19.9	23.2	41.7	19.2	9.8	6.2	10.5	8.0
Yemen	19.6	27.7	16.8	13.7	10.6	9.2	9.0	10.0
<b>Oil importers</b>	<b>13.2</b>	<b>13.9</b>	<b>16.7</b>	<b>15.7</b>	<b>10.0</b>	<b>10.7</b>	<b>9.8</b>	<b>11.7</b>
Afghanistan, Rep. of	...	22.3	14.4	64.9	17.1	21.3	16.0	16.0
Djibouti	11.2	10.2	9.6	20.6	17.5	12.2	6.2	7.1
Egypt	13.3	13.4	18.3	15.5	8.4	10.5	10.0	9.7
Jordan	10.7	14.1	10.6	17.3	9.3	11.5	6.4	8.6
Lebanon <sup>2</sup>	9.1	6.4	10.9	15.5	23.2	12.2	8.0	10.0
Mauritania	21.9	15.7	18.9	13.7	14.9	12.9	13.3	13.6
Morocco	11.7	18.2	17.4	13.5	7.0	4.8	4.2	8.3
Pakistan	15.1	14.9	19.3	15.3	9.6	12.5	15.9	18.3
Syrian Arab Republic	16.8	9.2	12.4	12.5	9.4	12.6	3.1	5.5
Tunisia	9.6	11.4	12.5	14.4	13.0	10.6	6.5	12.3
<b>CCA</b>	<b>36.1</b>	<b>65.3</b>	<b>43.5</b>	<b>34.2</b>	<b>19.3</b>	<b>24.3</b>	<b>20.4</b>	<b>18.9</b>
<b>Oil and gas exporters</b>	<b>37.4</b>	<b>69.0</b>	<b>42.6</b>	<b>38.4</b>	<b>19.6</b>	<b>24.8</b>	<b>20.7</b>	<b>19.0</b>
Azerbaijan	28.8	86.4	72.4	25.5	16.6	21.9	23.6	19.9
Kazakhstan	40.7	78.1	25.9	35.4	17.9	15.7	14.5	14.0
Turkmenistan	32.4	55.9	72.2	62.8	10.9	43.4	42.9	36.0
Uzbekistan	41.0	37.8	46.9	38.7	40.8	52.4	27.7	27.4
<b>Oil and gas importers</b>	<b>28.4</b>	<b>43.1</b>	<b>49.2</b>	<b>5.8</b>	<b>17.1</b>	<b>21.2</b>	<b>18.5</b>	<b>18.5</b>
Armenia	22.9	32.9	42.3	2.4	16.4	10.6	15.0	12.1
Georgia	27.9	39.3	49.6	7.0	8.1	28.5	18.0	21.0
Kyrgyz Republic	22.1	51.6	33.3	9.8	20.9	21.1	20.9	19.7
Tajikistan	48.0	63.4	78.8	6.3	38.9	25.7	24.2	22.6
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>16.0</b>	<b>22.4</b>	<b>25.6</b>	<b>18.4</b>	<b>13.0</b>	<b>12.3</b>	<b>13.3</b>	<b>12.1</b>
<b>MENA oil importers</b>	<b>12.5</b>	<b>13.2</b>	<b>15.6</b>	<b>14.6</b>	<b>10.0</b>	<b>9.7</b>	<b>7.3</b>	<b>9.1</b>
<b>GCC</b>	<b>13.4</b>	<b>22.0</b>	<b>28.3</b>	<b>18.3</b>	<b>11.0</b>	<b>7.3</b>	<b>10.9</b>	<b>10.2</b>
<b>Maghreb<sup>1</sup></b>	<b>11.9</b>	<b>16.8</b>	<b>23.2</b>	<b>21.6</b>	<b>7.1</b>	<b>10.4</b>	<b>10.0</b>	<b>11.5</b>
<b>Mashreq</b>	<b>13.0</b>	<b>11.7</b>	<b>15.5</b>	<b>15.1</b>	<b>10.4</b>	<b>11.2</b>	<b>8.3</b>	<b>8.9</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Broad money (M5) is defined to include nonresident deposits.

**Table 8. General Government Fiscal Balance**  
(Percent of GDP)

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP<sup>1</sup></b>	<b>2.4</b>	<b>7.6</b>	<b>6.1</b>	<b>6.7</b>	<b>-2.9</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.1</b>
<b>Oil exporters<sup>1</sup></b>	<b>6.0</b>	<b>13.9</b>	<b>11.9</b>	<b>13.0</b>	<b>-1.6</b>	<b>2.9</b>	<b>4.6</b>	<b>3.6</b>
Algeria	6.6	13.5	4.4	7.7	-6.8	-1.1	-2.6	-0.9
Bahrain	1.4	2.7	1.9	4.9	-6.6	-7.8	-7.7	-7.1
Iran, I.R. of <sup>2</sup>	2.9	2.3	7.4	0.7	1.0	1.7	2.4	1.0
Iraq	...	15.5	12.4	-1.3	-22.1	-9.1	-8.7	-7.9
Kuwait <sup>2</sup>	27.2	35.3	39.0	19.6	26.7	22.6	23.6	23.6
Libya	12.0	33.5	29.7	25.9	5.4	8.7	...	...
Oman <sup>2</sup>	8.4	13.8	11.1	13.8	-1.2	5.0	10.9	8.7
Qatar	8.7	8.5	10.9	10.0	15.3	2.9	7.7	3.8
Saudi Arabia	7.7	24.6	15.8	34.4	-4.6	6.7	9.4	8.0
Sudan	-0.6	-4.3	-5.5	-1.5	-4.8	-3.2	-2.8	-3.0
United Arab Emirates <sup>3</sup>	4.5	18.1	15.4	16.5	-12.6	-1.1	5.8	4.8
Yemen	0.0	1.2	-7.2	-4.5	-10.2	-4.0	-7.1	-6.1
<b>Oil importers</b>	<b>-5.3</b>	<b>-4.8</b>	<b>-5.2</b>	<b>-5.4</b>	<b>-5.2</b>	<b>-6.0</b>	<b>-7.6</b>	<b>-6.7</b>
Afghanistan, Rep. of	...	-3.1	-2.0	-4.3	-1.6	0.9	0.0	-1.8
Djibouti	-1.8	-2.4	-2.6	1.3	-4.6	-0.5	0.4	0.0
Egypt <sup>2</sup>	-9.9	-8.2	-7.3	-6.8	-6.9	-8.1	-9.9	-8.7
Jordan <sup>2</sup>	-3.1	-3.5	-5.7	-5.5	-8.9	-5.4	-6.1	-5.9
Lebanon <sup>2</sup>	-15.3	-10.4	-10.8	-9.5	-8.2	-7.3	-7.8	-8.3
Mauritania <sup>2,4</sup>	-6.6	35.8	-1.6	-6.5	-5.1	-1.9	-2.8	-3.8
Morocco <sup>2</sup>	-5.2	-2.0	0.3	1.5	-1.9	-4.5	-5.8	-5.0
Pakistan	-2.7	-3.7	-5.5	-7.3	-5.2	-5.9	-6.5	-5.3
Syrian Arab Republic	-2.1	-1.1	-3.0	-2.9	-2.9	-5.1	-11.0	-9.1
Tunisia	-2.6	-2.9	-2.8	-0.7	-2.6	-1.2	-4.1	-4.3
<b>CCA</b>	<b>0.6</b>	<b>4.2</b>	<b>3.1</b>	<b>6.2</b>	<b>1.0</b>	<b>3.8</b>	<b>2.5</b>	<b>2.9</b>
<b>Oil and gas exporters</b>	<b>1.3</b>	<b>5.3</b>	<b>4.3</b>	<b>7.9</b>	<b>2.3</b>	<b>5.3</b>	<b>3.6</b>	<b>4.1</b>
Azerbaijan <sup>2</sup>	0.2	-0.2	2.6	20.3	7.2	15.3	9.8	10.1
Kazakhstan	2.4	7.2	4.7	1.1	-1.4	1.4	1.7	1.7
Turkmenistan <sup>5</sup>	1.0	5.3	3.9	10.0	7.6	2.3	0.5	1.4
Uzbekistan	-0.6	5.4	5.2	10.7	3.1	4.8	3.3	4.6
<b>Oil and gas importers</b>	<b>-2.8</b>	<b>-1.6</b>	<b>-3.4</b>	<b>-3.6</b>	<b>-6.8</b>	<b>-5.3</b>	<b>-4.9</b>	<b>-4.3</b>
Armenia <sup>2</sup>	-2.6	-2.0	-2.3	-1.8	-7.7	-4.9	-3.8	-3.1
Georgia	-1.1	-3.0	-4.7	-6.3	-9.2	-6.6	-3.7	-3.3
Kyrgyz Republic	-5.6	-2.1	-0.3	0.0	-3.5	-6.5	-8.4	-7.7
Tajikistan	-3.0	1.7	-5.5	-5.1	-5.2	-3.0	-4.9	-4.2
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>3.2</b>	<b>9.1</b>	<b>7.6</b>	<b>8.6</b>	<b>-2.6</b>	<b>0.5</b>	<b>1.2</b>	<b>0.8</b>
<b>MENA oil importers</b>	<b>-7.3</b>	<b>-5.3</b>	<b>-5.2</b>	<b>-4.5</b>	<b>-5.3</b>	<b>-6.3</b>	<b>-8.4</b>	<b>-7.5</b>
<b>GCC</b>	<b>9.2</b>	<b>22.2</b>	<b>17.5</b>	<b>24.7</b>	<b>-0.4</b>	<b>6.1</b>	<b>9.7</b>	<b>8.3</b>
<b>Maghreb<sup>1</sup></b>	<b>3.0</b>	<b>10.4</b>	<b>6.2</b>	<b>7.5</b>	<b>-3.0</b>	<b>-0.5</b>	<b>-3.9</b>	<b>-2.8</b>
<b>Mashreq</b>	<b>-8.7</b>	<b>-7.0</b>	<b>-6.8</b>	<b>-6.4</b>	<b>-6.5</b>	<b>-7.4</b>	<b>-9.7</b>	<b>-8.6</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Central government.

<sup>3</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

<sup>4</sup>Includes oil revenue transferred to the oil fund.

<sup>5</sup>State government.

**Table 9. General Government Total Revenue, Excluding Grants**  
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>30.2</b>	<b>36.0</b>	<b>34.6</b>	<b>36.6</b>	<b>30.9</b>	<b>31.0</b>	<b>31.9</b>	<b>30.6</b>
<b>Oil exporters<sup>1</sup></b>	<b>35.3</b>	<b>43.7</b>	<b>41.3</b>	<b>44.4</b>	<b>35.6</b>	<b>36.7</b>	<b>38.4</b>	<b>36.5</b>
Algeria	37.0	42.7	39.6	47.2	36.3	37.3	41.3	39.9
Bahrain <sup>2</sup>	31.7	30.4	28.8	32.0	23.4	24.0	27.0	25.6
Iran, I.R. of <sup>2</sup>	24.5	29.9	28.9	25.1	23.5	23.4	26.7	24.2
Iraq	...	74.5	78.9	76.7	69.7	70.7	72.0	70.7
Kuwait <sup>2</sup>	63.9	67.3	69.2	59.6	67.6	60.7	58.6	60.0
Libya	48.6	65.6	68.2	65.6	60.7	62.0	...	...
Oman <sup>2</sup>	46.7	48.8	45.4	46.3	39.9	40.0	46.2	43.8
Qatar	40.0	38.9	40.7	33.7	47.6	33.6	32.7	29.7
Saudi Arabia	44.0	56.6	50.4	66.0	41.0	48.9	50.8	47.7
Sudan	15.5	20.9	20.4	22.2	15.7	15.1	16.1	11.7
United Arab Emirates <sup>3</sup>	24.8	33.7	33.1	38.6	25.3	28.3	32.9	32.1
Yemen	32.8	38.2	32.8	36.5	24.6	24.6	20.3	22.8
<b>Oil importers</b>	<b>19.2</b>	<b>21.0</b>	<b>21.2</b>	<b>21.5</b>	<b>22.1</b>	<b>20.1</b>	<b>19.5</b>	<b>19.4</b>
Afghanistan, Rep. of	...	8.2	7.7	8.0	10.3	11.3	11.8	12.4
Djibouti	26.4	31.1	30.2	28.8	30.6	30.1	30.4	30.1
Egypt <sup>2</sup>	20.0	24.1	23.7	24.6	26.3	21.9	21.2	21.6
Jordan <sup>2</sup>	25.6	29.2	29.5	25.5	24.5	22.7	21.7	21.8
Lebanon <sup>2</sup>	20.5	22.1	22.7	22.8	24.0	21.4	22.3	22.3
Mauritania <sup>2,4</sup>	28.9	29.4	25.8	23.4	24.7	25.3	24.9	24.1
Morocco <sup>2</sup>	22.6	25.1	27.4	29.7	25.8	25.3	25.1	25.2
Pakistan	13.9	14.1	15.0	14.6	14.5	14.0	12.9	12.4
Syrian Arab Republic	27.3	25.5	22.7	20.1	23.9	21.8	21.0	21.3
Tunisia	26.8	26.5	27.4	29.6	29.0	29.5	30.4	29.2
<b>CCA</b>	<b>24.9</b>	<b>27.3</b>	<b>28.5</b>	<b>33.2</b>	<b>28.6</b>	<b>29.6</b>	<b>29.9</b>	<b>29.8</b>
<b>Oil and gas exporters</b>	<b>26.3</b>	<b>28.3</b>	<b>29.3</b>	<b>34.8</b>	<b>29.5</b>	<b>30.6</b>	<b>30.8</b>	<b>30.7</b>
Azerbaijan <sup>2</sup>	24.2	28.0	28.2	51.1	41.6	44.4	41.7	41.0
Kazakhstan	24.6	27.5	29.3	27.9	22.1	23.9	24.5	24.5
Turkmenistan <sup>5</sup>	21.2	20.2	17.3	20.9	22.1	17.8	18.7	18.2
Uzbekistan	33.0	34.1	35.4	40.5	36.3	36.6	39.5	40.1
<b>Oil and gas importers</b>	<b>17.8</b>	<b>21.9</b>	<b>24.3</b>	<b>24.0</b>	<b>23.8</b>	<b>23.9</b>	<b>24.4</b>	<b>24.1</b>
Armenia <sup>2</sup>	15.6	17.5	19.3	20.1	20.2	20.2	19.9	20.0
Georgia <sup>5</sup>	18.2	25.5	28.7	27.5	27.1	25.9	27.0	25.9
Kyrgyz Republic	21.1	25.6	28.1	28.0	27.1	28.8	30.7	30.3
Tajikistan	16.5	18.9	20.5	20.5	20.0	20.9	20.4	20.8
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>32.6</b>	<b>39.0</b>	<b>37.2</b>	<b>39.6</b>	<b>33.1</b>	<b>33.2</b>	<b>34.4</b>	<b>33.1</b>
<b>MENA oil importers</b>	<b>22.3</b>	<b>24.8</b>	<b>24.7</b>	<b>25.4</b>	<b>26.0</b>	<b>23.2</b>	<b>22.9</b>	<b>23.0</b>
<b>GCC</b>	<b>42.2</b>	<b>50.8</b>	<b>47.4</b>	<b>54.6</b>	<b>41.0</b>	<b>43.2</b>	<b>45.1</b>	<b>43.0</b>
<b>Maghreb<sup>1</sup></b>	<b>33.5</b>	<b>39.1</b>	<b>39.0</b>	<b>42.6</b>	<b>36.0</b>	<b>36.6</b>	<b>34.1</b>	<b>33.2</b>
<b>Mashreq</b>	<b>21.5</b>	<b>24.4</b>	<b>23.7</b>	<b>23.8</b>	<b>25.7</b>	<b>21.9</b>	<b>21.3</b>	<b>21.6</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Central government.

<sup>3</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

<sup>4</sup>Includes oil revenue transferred to the oil fund.

<sup>5</sup>State government.

<sup>6</sup>Revised for 2002–04 to include extrabudgetary revenues.

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

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP oil exporters<sup>1</sup></b>	<b>-32.9</b>	<b>-38.7</b>	<b>-39.4</b>	<b>-51.0</b>	<b>-46.7</b>	<b>-48.0</b>	<b>-50.6</b>	<b>-48.3</b>
Algeria	-31.5	-35.6	-45.7	-54.1	-45.4	-40.0	-55.2	-47.6
Bahrain <sup>2</sup>	-29.0	-28.4	-28.7	-31.7	-34.4	-38.3	-45.3	-42.4
Iran, I.R. of <sup>2</sup>	-17.8	-25.3	-18.1	-26.1	-15.2	-16.5	-16.8	-16.1
Iraq	...	-101.0	-126.0	-215.5	-171.3	-174.4	-212.4	-220.9
Kuwait <sup>2</sup>	-35.9	-30.5	-28.7	-73.2	-54.0	-56.7	-60.2	-58.4
Libya	-78.5	-140.8	-153.0	-175.6	-148.1	-158.0	...	...
Oman <sup>2</sup>	-57.7	-63.4	-54.2	-63.6	-61.1	-61.0	-76.4	-69.6
Qatar	-45.1	-35.1	-28.0	-20.3	-14.5	-37.2	-27.3	-33.6
Saudi Arabia	-40.9	-44.8	-51.2	-52.2	-66.6	-69.0	-79.5	-70.0
Sudan	-9.6	-18.9	-21.4	-21.2	-14.5	-13.5	-12.4	-7.0
United Arab Emirates <sup>3</sup>	-18.6	-13.5	-14.0	-23.5	-42.3	-34.2	-34.7	-33.4
Yemen	-35.4	-42.6	-43.1	-46.3	-31.3	-29.9	-31.7	-29.4
<b>CCA oil and gas exporters</b>	<b>-7.2</b>	<b>-10.9</b>	<b>-12.3</b>	<b>-21.2</b>	<b>-20.1</b>	<b>-19.0</b>	<b>-21.9</b>	<b>-19.6</b>
Azerbaijan <sup>2</sup>	-12.2	-31.2	-28.6	-39.4	-38.1	-36.0	-43.0	-37.9
Kazakhstan	-5.5	-4.2	-6.5	-16.0	-13.7	-12.9	-13.4	-12.5
Turkmenistan <sup>4</sup>	-10.0	-7.4	-6.5	-6.0	-8.4	-9.7	-18.2	-15.1
Uzbekistan	...	...	...	...	...	...	...	...
<i>Memorandum</i>								
<b>GCC</b>	<b>-36.9</b>	<b>-36.6</b>	<b>-38.4</b>	<b>-46.0</b>	<b>-53.7</b>	<b>-55.9</b>	<b>-61.1</b>	<b>-56.3</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Central government.

<sup>3</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

<sup>4</sup>State government.

**Table 11. Oil Exporters: General Government Non-Oil Revenue**  
(Percent of non-oil GDP)

	Average	2006	2007	2008	2009	2010	Proj.	
	2000—05						2011	2012
<b>MENAP oil exporters<sup>1</sup></b>	<b>16.2</b>	<b>18.6</b>	<b>18.8</b>	<b>19.4</b>	<b>16.8</b>	<b>15.2</b>	<b>16.0</b>	<b>15.2</b>
Algeria	17.1	18.1	17.1	18.4	18.5	19.4	19.4	19.3
Bahrain <sup>2</sup>	11.1	9.0	7.1	6.1	4.7	4.1	4.3	4.3
Iran, I.R. of <sup>2</sup>	10.1	12.4	12.8	14.1	12.5	10.8	12.1	11.9
Iraq	...	7.8	13.1	12.5	16.0	13.6	12.0	11.2
Kuwait <sup>2</sup>	35.0	47.0	38.4	29.8	23.7	23.1	22.7	22.3
Libya	20.7	25.2	29.9	34.2	20.1	21.7	...	...
Oman <sup>2</sup>	14.2	14.9	16.6	13.6	16.3	12.8	12.4	12.3
Qatar	29.2	29.5	33.8	32.4	44.1	26.4	37.9	30.2
Saudi Arabia	22.3	24.6	25.1	27.8	19.2	18.7	18.1	17.2
Sudan	8.5	11.5	10.6	9.4	9.0	8.4	10.1	9.4
United Arab Emirates <sup>3</sup>	9.3	11.4	12.7	11.7	10.9	10.4	10.1	10.4
Yemen	13.1	14.3	14.8	12.4	12.6	12.2	8.9	12.7
<b>CCA oil and gas exporters</b>	<b>24.2</b>	<b>24.4</b>	<b>26.1</b>	<b>22.5</b>	<b>19.5</b>	<b>18.7</b>	<b>19.6</b>	<b>19.3</b>
Azerbaijan <sup>2</sup>	23.9	29.9	29.7	27.7	26.8	23.9	24.1	24.4
Kazakhstan	25.6	24.4	26.9	21.8	16.8	17.0	18.2	17.9
Turkmenistan <sup>4</sup>	14.6	12.1	11.6	13.4	15.5	15.2	17.2	15.2
Uzbekistan	...	...	...	...	...	...	...	...
<i>Memorandum</i>								
<b>GCC</b>	<b>20.9</b>	<b>24.1</b>	<b>24.0</b>	<b>23.8</b>	<b>20.2</b>	<b>17.8</b>	<b>19.1</b>	<b>17.6</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Central government.

<sup>3</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

<sup>4</sup>State government.



**Table 12. General Government Total Expenditure and Net Lending**  
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>28.2</b>	<b>29.1</b>	<b>28.9</b>	<b>30.4</b>	<b>34.3</b>	<b>31.5</b>	<b>31.8</b>	<b>30.9</b>
<b>Oil exporters<sup>1</sup></b>	<b>29.6</b>	<b>30.4</b>	<b>29.8</b>	<b>31.8</b>	<b>37.7</b>	<b>34.1</b>	<b>34.0</b>	<b>33.1</b>
Algeria <sup>2</sup>	30.5	29.2	35.2	39.5	43.1	38.5	43.9	40.8
Bahrain <sup>3</sup>	31.1	28.2	27.5	27.4	30.4	32.1	35.1	33.0
Iran, I.R. of <sup>3</sup>	21.6	27.7	21.6	24.5	22.5	21.8	24.3	23.2
Iraq	...	72.7	71.9	87.1	102.4	84.7	82.8	80.9
Kuwait <sup>3</sup>	36.7	32.0	30.2	40.0	40.9	38.1	35.0	36.3
Libya	36.6	32.1	38.5	39.6	55.3	53.4	...	...
Oman <sup>3</sup>	38.3	34.8	36.4	32.4	41.2	34.9	35.3	36.6
Qatar	31.3	30.3	29.8	23.7	32.3	30.7	25.0	26.0
Saudi Arabia	36.4	32.0	34.6	31.6	45.6	42.2	41.4	39.7
Sudan	16.1	25.7	26.4	24.2	21.2	19.0	19.6	15.4
United Arab Emirates <sup>4</sup>	20.3	15.6	17.7	22.2	37.8	29.4	27.1	27.2
Yemen	33.2	37.4	40.3	41.2	35.2	29.8	27.4	30.1
<b>Oil importers</b>	<b>25.6</b>	<b>26.6</b>	<b>27.1</b>	<b>27.6</b>	<b>27.9</b>	<b>26.6</b>	<b>27.8</b>	<b>26.7</b>
Afghanistan, Rep. of	...	21.5	22.0	22.3	22.1	21.6	24.7	26.6
Djibouti	34.3	37.4	37.7	40.6	41.6	36.0	35.7	35.4
Egypt <sup>3</sup>	29.4	32.6	31.5	31.5	34.0	30.3	31.5	30.9
Jordan <sup>3</sup>	35.6	35.9	38.0	35.6	35.4	30.2	33.9	30.3
Lebanon <sup>3</sup>	35.9	35.5	34.9	33.2	32.3	28.7	30.4	30.9
Mauritania <sup>3</sup>	37.0	28.5	29.6	30.7	30.6	28.4	29.0	28.9
Morocco <sup>3,5</sup>	28.1	27.5	27.5	29.6	28.3	30.1	31.2	30.5
Pakistan	17.7	18.4	20.8	22.3	19.9	20.3	19.7	18.0
Syrian Arab Republic	29.3	26.6	25.7	23.0	26.8	26.9	32.0	30.3
Tunisia	29.6	29.4	30.2	30.7	32.0	30.8	34.7	33.6
<b>CCA</b>	<b>24.6</b>	<b>23.3</b>	<b>25.7</b>	<b>27.4</b>	<b>28.3</b>	<b>26.9</b>	<b>27.8</b>	<b>27.2</b>
<b>Oil and gas exporters</b>	<b>25.2</b>	<b>22.9</b>	<b>25.1</b>	<b>27.0</b>	<b>27.4</b>	<b>26.2</b>	<b>27.2</b>	<b>26.8</b>
Azerbaijan <sup>3,6</sup>	24.0	27.4	25.9	31.1	34.8	30.8	32.0	31.0
Kazakhstan	22.3	20.2	24.6	26.9	23.5	22.5	22.8	22.9
Turkmenistan <sup>7</sup>	20.2	14.9	13.4	10.9	14.5	15.6	18.2	16.8
Uzbekistan	34.4	29.0	30.4	30.0	33.6	34.4	36.6	35.9
<b>Oil and gas importers</b>	<b>21.5</b>	<b>25.5</b>	<b>29.2</b>	<b>29.6</b>	<b>34.2</b>	<b>31.4</b>	<b>31.6</b>	<b>29.8</b>
Armenia <sup>3,6</sup>	19.9	20.6	23.2	23.0	32.0	26.9	26.5	24.3
Georgia	19.9	29.7	34.0	37.0	38.4	34.8	31.9	30.0
Kyrgyz Republic	27.7	28.9	31.1	29.2	36.1	38.1	43.1	40.4
Tajikistan	19.9	21.9	28.0	27.2	28.6	26.1	27.4	26.7
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>29.7</b>	<b>30.6</b>	<b>30.0</b>	<b>31.5</b>	<b>36.2</b>	<b>33.0</b>	<b>33.4</b>	<b>32.6</b>
<b>MENA oil importers</b>	<b>29.8</b>	<b>31.0</b>	<b>30.5</b>	<b>30.4</b>	<b>32.0</b>	<b>29.9</b>	<b>31.9</b>	<b>31.1</b>
<b>GCC</b>	<b>33.0</b>	<b>28.6</b>	<b>30.1</b>	<b>29.9</b>	<b>41.5</b>	<b>37.2</b>	<b>35.3</b>	<b>34.8</b>
<b>Maghreb<sup>1</sup></b>	<b>30.7</b>	<b>29.3</b>	<b>33.0</b>	<b>35.5</b>	<b>39.2</b>	<b>37.2</b>	<b>38.1</b>	<b>36.1</b>
<b>Mashreq</b>	<b>30.2</b>	<b>32.1</b>	<b>31.2</b>	<b>30.6</b>	<b>32.8</b>	<b>29.7</b>	<b>31.6</b>	<b>30.8</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Including special accounts.

<sup>3</sup>Central government.

<sup>4</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

<sup>5</sup>Net lending includes balance on special treasury accounts.

<sup>6</sup>Expenditures do not include statistical discrepancy.

<sup>7</sup>State government.

**Table 13. Total Government Gross Debt**  
(Percent of GDP)

	Average	2006	2007	2008	2009	2010	Proj.	
	2000–05						2011	2012
<b>MENAP<sup>1</sup></b>	<b>60.6</b>	<b>42.8</b>	<b>36.5</b>	<b>32.2</b>	<b>36.1</b>	<b>34.2</b>	<b>31.8</b>	<b>31.7</b>
<b>Oil exporters<sup>1</sup></b>	<b>44.9</b>	<b>26.7</b>	<b>20.5</b>	<b>15.9</b>	<b>21.8</b>	<b>19.5</b>	<b>15.3</b>	<b>15.1</b>
Algeria	49.0	23.6	12.5	8.2	10.4	10.4	10.7	10.7
Bahrain <sup>2</sup>	31.9	23.6	19.2	14.6	25.4	32.0	34.2	39.1
Iran, I.R. of <sup>2</sup>	12.4	9.2	7.7	7.1	8.9	11.6	9.2	8.0
Iraq	...	221.2	181.0	110.4	144.1	119.6	42.3	42.8
Kuwait <sup>2</sup>	25.2	8.3	6.7	5.6	7.0	5.7	4.5	4.4
Libya	23.4	0.9	0.0	0.0	0.0	0.0	...	...
Oman <sup>2</sup>	18.3	9.6	7.5	5.1	8.0	5.7	4.0	3.2
Qatar	41.5	13.1	8.9	8.6	31.0	29.5	28.2	28.0
Saudi Arabia	77.3	27.3	18.5	13.2	15.9	9.9	7.1	6.1
Sudan	146.8	90.9	83.7	72.8	83.6	71.6	78.2	87.3
United Arab Emirates <sup>3</sup>	4.3	6.8	7.8	12.5	22.5	21.0	18.5	18.1
Yemen	55.4	40.8	40.4	36.4	49.9	40.6	42.9	44.4
<b>Oil importers</b>	<b>90.1</b>	<b>74.9</b>	<b>68.7</b>	<b>64.4</b>	<b>63.7</b>	<b>62.5</b>	<b>63.6</b>	<b>64.1</b>
Afghanistan, Rep. of	...	...	...	...	...	...	...	...
Djibouti	32.7	56.8	63.6	60.2	59.8	56.1	53.7	53.6
Egypt	100.0	98.8	87.1	74.7	75.6	73.8	76.2	76.6
Jordan <sup>2</sup>	95.4	76.3	73.8	60.2	64.5	66.8	68.5	67.8
Lebanon <sup>2</sup>	162.3	179.9	167.7	156.3	146.5	134.1	126.4	125.0
Mauritania <sup>4</sup>	209.1	86.8	96.8	90.6	101.5	86.2	62.0	64.2
Morocco <sup>2</sup>	66.6	59.4	54.6	48.2	47.9	51.1	54.2	55.5
Pakistan	76.5	56.4	53.6	58.7	57.4	56.8	57.6	57.3
Syrian Arab Republic	120.1	46.9	43.2	37.4	31.4	29.7	27.5	27.9
Tunisia	62.2	48.8	45.9	43.3	42.8	40.4	41.7	48.0
<b>CCA</b>	<b>30.7</b>	<b>13.9</b>	<b>11.3</b>	<b>10.9</b>	<b>14.7</b>	<b>15.1</b>	<b>17.0</b>	<b>17.8</b>
<b>Oil and gas exporters</b>	<b>23.5</b>	<b>10.0</b>	<b>8.1</b>	<b>7.7</b>	<b>10.1</b>	<b>10.7</b>	<b>13.1</b>	<b>13.9</b>
Azerbaijan <sup>2</sup>	20.9	10.2	8.6	7.3	12.1	10.8	10.7	10.0
Kazakhstan	16.3	6.7	5.9	6.7	10.2	10.7	12.9	13.0
Turkmenistan <sup>5</sup>	19.5	3.3	2.4	2.8	2.6	11.8	20.5	26.8
Uzbekistan	43.5	21.3	15.8	12.7	11.0	10.0	12.6	14.0
<b>Oil and gas importers</b>	<b>66.3</b>	<b>34.8</b>	<b>28.9</b>	<b>28.6</b>	<b>41.9</b>	<b>42.9</b>	<b>41.4</b>	<b>42.1</b>
Armenia <sup>2</sup>	40.0	18.7	16.1	16.1	40.2	39.2	41.5	41.4
Georgia	55.9	27.3	21.5	27.6	37.3	39.1	36.8	38.0
Kyrgyz Republic	103.7	72.5	56.8	48.5	58.0	62.6	55.2	54.6
Tajikistan	76.0	35.8	35.2	30.2	36.6	36.7	37.0	38.6
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>58.4</b>	<b>41.0</b>	<b>34.3</b>	<b>28.8</b>	<b>33.4</b>	<b>31.3</b>	<b>28.5</b>	<b>28.5</b>
<b>MENA oil importers</b>	<b>97.0</b>	<b>84.4</b>	<b>76.5</b>	<b>67.2</b>	<b>66.7</b>	<b>65.3</b>	<b>66.5</b>	<b>67.5</b>
<b>GCC</b>	<b>50.6</b>	<b>18.7</b>	<b>13.4</b>	<b>11.3</b>	<b>17.6</b>	<b>14.2</b>	<b>12.2</b>	<b>11.7</b>
<b>Maghreb<sup>1</sup></b>	<b>53.3</b>	<b>33.7</b>	<b>27.1</b>	<b>23.6</b>	<b>24.7</b>	<b>25.0</b>	<b>30.5</b>	<b>32.2</b>
<b>Mashreq</b>	<b>108.1</b>	<b>95.7</b>	<b>85.8</b>	<b>74.7</b>	<b>74.0</b>	<b>71.8</b>	<b>72.9</b>	<b>73.1</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Central government.

<sup>3</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

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

<sup>5</sup>State government.

**Table 14. Selected MENAP Countries: Total Government Net Debt**  
(Percent of GDP)

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP<sup>1,2</sup></b>	<b>29.5</b>	<b>18.4</b>	<b>12.7</b>	<b>10.9</b>	<b>15.2</b>	<b>13.9</b>	<b>15.8</b>	<b>15.9</b>
<b>Oil exporters<sup>1,2</sup></b>	<b>-2.4</b>	<b>-4.2</b>	<b>-10.2</b>	<b>-13.1</b>	<b>-6.3</b>	<b>-6.0</b>	<b>-6.1</b>	<b>-6.4</b>
Iran, I.R. of <sup>3</sup>	-0.5	-6.2	-8.3	-6.3	0.2	0.0	-2.4	-3.1
Iraq	...	221.2	181.0	110.4	144.1	119.6	42.3	42.8
Libya	-18.5	-81.0	-83.3	-70.7	-110.8	-101.0	...	...
Oman <sup>3</sup>	-27.7	-32.7	-36.2	-29.5	-39.9	-34.8	-32.7	-33.8
Qatar <sup>4</sup>	35.5	9.3	5.1	5.3	26.4	25.9	25.2	25.4
United Arab Emirates <sup>5</sup>	-84.7	-77.6	-83.2	-85.9	-85.4	-76.1	-72.1	-75.0
Yemen	49.3	33.0	35.2	31.4	43.7	36.5	39.4	41.4
<b>Oil importers<sup>2</sup></b>	<b>79.6</b>	<b>57.7</b>	<b>54.0</b>	<b>53.7</b>	<b>52.6</b>	<b>52.5</b>	<b>53.6</b>	<b>54.6</b>
Jordan <sup>3</sup>	91.1	68.8	67.6	54.8	57.1	61.1	62.1	61.9
Lebanon <sup>3</sup>	155.7	175.0	162.0	144.9	132.9	125.0	126.0	124.7
Mauritania <sup>6</sup>	209.1	82.8	94.8	90.6	101.4	86.1	61.9	64.1
Morocco <sup>3</sup>	64.3	56.8	53.1	47.5	47.3	50.6	53.6	55.0
Pakistan	75.2	52.2	48.6	53.7	53.7	53.3	54.2	54.0
Syrian Arab Republic	87.3	30.6	27.6	22.9	18.1	18.8	18.5	20.1
Tunisia	62.2	48.8	45.9	43.3	42.8	40.4	41.7	48.0

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Weighted average of the selected countries.

<sup>3</sup>Central government.

<sup>4</sup>Net of government deposits.

<sup>5</sup>Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.

<sup>6</sup>Includes oil revenue transferred to the oil fund, as well as public enterprise and central bank debts.

**Table 15. Exports of Goods and Services**  
(Billion U.S. dollars)

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>432.5</b>	<b>878.0</b>	<b>1,029.4</b>	<b>1,341.5</b>	<b>968.3</b>	<b>1,185.9</b>	<b>1,449.8</b>	<b>1,483.2</b>
<b>Oil exporters<sup>1</sup></b>	<b>351.9</b>	<b>747.4</b>	<b>876.6</b>	<b>1,146.2</b>	<b>797.9</b>	<b>1,001.6</b>	<b>1,248.7</b>	<b>1,271.9</b>
Algeria	28.6	57.3	63.5	82.1	48.2	60.8	82.0	79.6
Bahrain	8.7	15.5	17.2	21.1	15.5	18.5	22.7	22.6
Iran, I.R. of	41.4	82.3	105.2	109.9	95.6	116.5	137.1	140.8
Iraq	...	30.2	38.7	63.6	40.6	53.5	75.7	81.6
Kuwait	27.3	64.9	72.7	98.4	63.0	74.7	101.8	100.7
Libya	18.2	43.0	49.2	62.3	37.4	44.2	...	...
Oman	13.6	22.9	26.4	39.5	29.3	38.4	47.8	48.4
Qatar	16.7	39.3	50.5	73.0	48.3	81.0	108.5	109.9
Saudi Arabia	109.5	225.6	249.6	323.5	202.5	262.4	352.2	346.8
Sudan	2.8	6.0	9.3	13.0	8.1	11.4	12.8	8.9
United Arab Emirates	73.7	152.4	186.7	249.7	202.3	230.7	296.6	321.4
Yemen	4.6	7.9	7.8	10.2	7.1	9.5	11.3	11.1
<b>Oil importers</b>	<b>80.6</b>	<b>130.6</b>	<b>152.8</b>	<b>195.2</b>	<b>170.4</b>	<b>184.4</b>	<b>201.0</b>	<b>211.3</b>
Afghanistan, Rep. of	...	1.9	2.0	2.5	2.9	3.4	3.5	3.6
Djibouti	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Egypt	19.6	33.9	39.4	53.3	47.0	46.6	46.6	49.9
Jordan	4.9	8.1	9.3	12.4	10.9	12.3	13.1	14.0
Lebanon	8.5	13.7	16.0	22.8	22.8	23.4	24.1	25.8
Mauritania	0.5	1.4	1.5	1.9	1.5	2.2	2.9	3.2
Morocco	13.9	21.7	27.3	33.4	26.3	30.1	37.1	39.8
Pakistan	12.9	20.3	21.4	24.0	23.2	24.9	30.9	30.2
Syrian Arab Republic	7.9	13.1	15.6	19.3	15.4	19.2	19.3	19.0
Tunisia	11.0	16.0	20.1	25.2	19.9	21.9	23.1	25.3
<b>CCA</b>	<b>32.0</b>	<b>75.6</b>	<b>100.8</b>	<b>142.4</b>	<b>100.1</b>	<b>125.6</b>	<b>163.6</b>	<b>170.8</b>
<b>Oil and gas exporters</b>	<b>28.2</b>	<b>69.4</b>	<b>92.8</b>	<b>133.0</b>	<b>92.1</b>	<b>116.1</b>	<b>152.0</b>	<b>158.2</b>
Azerbaijan	3.8	14.0	22.5	32.1	22.8	28.5	35.4	37.5
Kazakhstan	16.8	41.6	51.9	76.4	48.2	65.1	85.9	87.6
Turkmenistan	3.7	7.5	9.5	12.3	9.5	10.3	14.9	15.8
Uzbekistan	4.0	6.3	8.9	12.2	11.5	12.2	15.8	17.2
<b>Oil and gas importers</b>	<b>3.8</b>	<b>6.2</b>	<b>8.0</b>	<b>9.3</b>	<b>8.0</b>	<b>9.4</b>	<b>11.6</b>	<b>12.6</b>
Armenia	0.8	1.5	1.8	1.8	1.3	1.9	2.2	2.4
Georgia	1.4	2.6	3.2	3.7	3.2	4.1	5.1	5.6
Kyrgyz Republic	0.8	1.5	2.2	3.0	2.7	2.5	3.2	3.5
Tajikistan	0.9	0.7	0.8	0.9	0.8	1.0	1.1	1.1
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>418.5</b>	<b>855.7</b>	<b>1,006.0</b>	<b>1,314.9</b>	<b>942.2</b>	<b>1,157.6</b>	<b>1,415.4</b>	<b>1,449.4</b>
<b>MENA oil importers</b>	<b>66.6</b>	<b>108.3</b>	<b>129.4</b>	<b>168.7</b>	<b>144.3</b>	<b>156.1</b>	<b>166.7</b>	<b>177.5</b>
<b>GCC</b>	<b>249.4</b>	<b>520.6</b>	<b>603.1</b>	<b>805.2</b>	<b>561.0</b>	<b>705.6</b>	<b>929.7</b>	<b>949.9</b>
<b>Maghreb<sup>1</sup></b>	<b>72.2</b>	<b>139.5</b>	<b>161.5</b>	<b>205.0</b>	<b>133.3</b>	<b>159.3</b>	<b>145.1</b>	<b>147.8</b>
<b>Mashreq</b>	<b>40.9</b>	<b>68.9</b>	<b>80.2</b>	<b>107.8</b>	<b>96.3</b>	<b>101.5</b>	<b>103.1</b>	<b>108.7</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 16. Imports of Goods and Services**  
(Billion U.S. dollars)

	Average 2000-05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>340.1</b>	<b>611.6</b>	<b>780.4</b>	<b>1,011.6</b>	<b>913.3</b>	<b>976.6</b>	<b>1,099.8</b>	<b>1,186.1</b>
<b>Oil exporters<sup>1</sup></b>	<b>240.5</b>	<b>445.7</b>	<b>581.6</b>	<b>750.0</b>	<b>681.7</b>	<b>734.7</b>	<b>833.8</b>	<b>904.0</b>
Algeria	16.8	25.5	33.3	49.1	49.1	50.5	54.8	56.6
Bahrain	6.7	11.3	12.3	15.7	11.1	13.3	14.6	14.2
Iran, I.R. of	35.4	62.1	73.9	88.4	85.0	92.4	100.3	105.1
Iraq	...	23.2	29.4	48.7	53.1	55.5	75.5	81.8
Kuwait	16.3	26.9	32.5	38.2	31.1	32.7	39.5	42.5
Libya	9.6	15.2	20.0	24.9	27.1	31.0	...	...
Oman	8.7	13.8	19.4	26.6	21.5	24.4	30.3	32.2
Qatar	7.1	21.8	27.2	35.0	30.1	38.2	40.5	43.0
Saudi Arabia	63.6	115.3	147.1	179.5	165.0	177.0	210.3	235.3
Sudan	3.9	10.0	11.0	12.5	11.2	11.7	12.4	10.7
United Arab Emirates	59.9	112.9	166.1	219.7	187.3	197.2	243.2	270.0
Yemen	4.4	7.8	9.4	11.7	10.0	10.7	12.5	12.5
<b>Oil importers</b>	<b>99.5</b>	<b>165.9</b>	<b>198.8</b>	<b>261.6</b>	<b>231.6</b>	<b>241.9</b>	<b>265.9</b>	<b>282.2</b>
Afghanistan, Rep. of	...	7.4	8.4	9.5	9.6	10.0	10.4	11.2
Djibouti	0.3	0.5	0.6	0.7	0.6	0.5	0.7	0.8
Egypt	22.8	38.2	44.9	63.1	59.9	57.0	57.5	62.7
Jordan	7.7	13.2	15.7	19.2	16.5	18.0	20.2	21.0
Lebanon	12.7	16.7	20.6	28.1	28.4	30.0	32.5	34.5
Mauritania	0.9	1.6	2.1	2.7	2.0	2.6	3.2	3.3
Morocco	16.1	26.1	34.6	46.3	37.2	40.1	49.2	51.4
Pakistan	15.5	33.2	35.3	45.4	39.2	38.1	43.3	46.1
Syrian Arab Republic	8.3	12.3	15.8	19.9	17.3	21.6	22.9	22.9
Tunisia	11.7	16.7	20.8	26.6	20.9	24.0	26.0	28.3
<b>CCA</b>	<b>31.0</b>	<b>60.8</b>	<b>82.7</b>	<b>100.9</b>	<b>87.2</b>	<b>93.0</b>	<b>112.8</b>	<b>121.5</b>
<b>Oil and gas exporters</b>	<b>25.7</b>	<b>50.0</b>	<b>67.5</b>	<b>80.2</b>	<b>71.9</b>	<b>75.7</b>	<b>91.7</b>	<b>98.9</b>
Azerbaijan	4.2	8.1	9.4	11.5	9.9	10.5	16.7	18.0
Kazakhstan	14.8	32.9	45.0	49.6	39.0	43.3	47.5	51.5
Turkmenistan	3.1	3.6	4.9	7.8	11.3	10.9	13.5	14.0
Uzbekistan	3.5	5.4	8.1	11.4	11.7	11.0	14.0	15.4
<b>Oil and gas importers</b>	<b>5.3</b>	<b>10.8</b>	<b>15.3</b>	<b>20.7</b>	<b>15.3</b>	<b>17.2</b>	<b>21.1</b>	<b>22.6</b>
Armenia	1.4	2.5	3.6	4.7	3.7	4.2	4.7	5.0
Georgia	2.0	4.4	5.9	7.5	5.3	6.1	7.5	7.8
Kyrgyz Republic	0.9	2.3	3.2	4.7	3.7	3.9	5.1	5.6
Tajikistan	1.1	1.6	2.6	3.7	2.7	3.0	3.9	4.3
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>321.2</b>	<b>571.0</b>	<b>736.7</b>	<b>956.6</b>	<b>864.5</b>	<b>928.5</b>	<b>1,046.0</b>	<b>1,128.9</b>
<b>MENA oil importers</b>	<b>80.6</b>	<b>125.3</b>	<b>155.1</b>	<b>206.6</b>	<b>182.8</b>	<b>193.8</b>	<b>212.2</b>	<b>224.9</b>
<b>GCC</b>	<b>162.3</b>	<b>302.0</b>	<b>404.6</b>	<b>514.8</b>	<b>446.2</b>	<b>482.8</b>	<b>578.4</b>	<b>637.3</b>
<b>Maghreb<sup>1</sup></b>	<b>55.2</b>	<b>85.0</b>	<b>110.8</b>	<b>149.5</b>	<b>136.3</b>	<b>148.2</b>	<b>133.2</b>	<b>139.6</b>
<b>Mashreq</b>	<b>51.5</b>	<b>80.5</b>	<b>97.0</b>	<b>130.4</b>	<b>122.1</b>	<b>126.6</b>	<b>133.1</b>	<b>141.2</b>

Sources: National authorities; and IMF staff estimates and projections.  
<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 17. Current Account Balance**  
(Billion U.S. dollars)

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP<sup>1</sup></b>	<b>87.6</b>	<b>276.8</b>	<b>259.0</b>	<b>335.2</b>	<b>40.3</b>	<b>179.9</b>	<b>308.8</b>	<b>254.9</b>
<b>Oil exporters<sup>1</sup></b>	<b>88.9</b>	<b>282.2</b>	<b>269.4</b>	<b>360.9</b>	<b>67.0</b>	<b>202.1</b>	<b>333.5</b>	<b>285.9</b>
Algeria	10.3	29.0	30.6	34.5	0.4	12.5	25.2	20.6
Bahrain	0.5	2.2	2.9	2.3	0.6	1.1	3.3	3.7
Iran, I.R. of	6.5	20.6	32.6	22.9	10.9	24.4	36.9	35.2
Iraq	...	8.5	7.1	16.6	-8.9	-2.6	-0.9	-1.4
Kuwait	13.7	45.3	42.2	60.2	25.9	36.9	57.2	53.6
Libya	7.2	28.1	29.8	37.1	9.4	10.3	...	...
Oman	2.2	5.7	2.5	5.0	-0.6	5.1	9.7	8.9
Qatar	6.6	15.3	20.2	33.0	10.0	32.2	56.5	54.4
Saudi Arabia	34.3	99.1	93.5	132.5	21.0	66.8	115.3	82.6
Sudan	-1.7	-5.5	-5.8	-5.2	-7.3	-4.4	-4.6	-4.5
United Arab Emirates	10.1	33.9	15.4	23.3	8.2	21.2	36.9	34.7
Yemen	0.6	0.2	-1.5	-1.3	-2.6	-1.4	-1.9	-1.8
<b>Oil importers</b>	<b>-1.3</b>	<b>-5.4</b>	<b>-10.4</b>	<b>-25.7</b>	<b>-26.7</b>	<b>-22.2</b>	<b>-24.6</b>	<b>-31.0</b>
Afghanistan, Rep. of	...	-0.4	0.1	-0.2	-0.3	0.4	-0.2	-0.9
Djibouti	0.0	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.2
Egypt	1.3	1.8	2.7	0.9	-4.4	-4.3	-4.4	-5.6
Jordan	-0.1	-1.7	-2.9	-2.0	-0.8	-1.3	-1.9	-2.6
Lebanon	-3.0	-1.2	-1.7	-2.8	-3.4	-4.3	-6.1	-6.2
Mauritania	-0.3	0.0	-0.5	-0.5	-0.3	-0.3	-0.3	-0.3
Morocco	1.0	1.4	-0.1	-4.6	-4.9	-3.9	-5.3	-4.4
Pakistan	1.2	-5.0	-6.9	-13.9	-9.3	-3.9	0.4	-3.9
Syrian Arab Republic	-0.6	0.5	-0.1	-0.7	-1.9	-2.3	-4.0	-4.1
Tunisia	-0.7	-0.6	-0.9	-1.7	-1.2	-2.1	-2.8	-2.9
<b>CCA</b>	<b>-1.0</b>	<b>5.2</b>	<b>3.4</b>	<b>23.7</b>	<b>0.7</b>	<b>17.0</b>	<b>25.6</b>	<b>24.3</b>
<b>Oil and gas exporters</b>	<b>-0.5</b>	<b>6.6</b>	<b>6.4</b>	<b>28.8</b>	<b>3.6</b>	<b>19.6</b>	<b>29.0</b>	<b>27.7</b>
Azerbaijan	-0.9	3.7	9.0	16.5	10.2	15.0	15.5	15.6
Kazakhstan	-0.4	-2.0	-8.3	6.3	-4.4	4.3	10.7	9.2
Turkmenistan	0.4	3.4	4.0	3.6	-3.0	-2.3	-0.7	-0.7
Uzbekistan	0.5	1.6	1.6	2.5	0.7	2.6	3.5	3.6
<b>Oil and gas importers</b>	<b>-0.5</b>	<b>-1.5</b>	<b>-2.9</b>	<b>-5.1</b>	<b>-2.8</b>	<b>-2.6</b>	<b>-3.3</b>	<b>-3.4</b>
Armenia	-0.1	-0.1	-0.6	-1.4	-1.4	-1.3	-1.2	-1.1
Georgia	-0.4	-1.2	-2.0	-2.9	-1.2	-1.1	-1.5	-1.4
Kyrgyz Republic	0.0	-0.1	0.0	-0.4	0.0	-0.3	-0.4	-0.5
Tajikistan	0.0	-0.1	-0.3	-0.4	-0.3	0.1	-0.2	-0.5
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>86.6</b>	<b>282.2</b>	<b>265.8</b>	<b>349.2</b>	<b>49.9</b>	<b>183.5</b>	<b>308.5</b>	<b>259.7</b>
<b>MENA oil importers</b>	<b>-2.3</b>	<b>0.0</b>	<b>-3.6</b>	<b>-11.7</b>	<b>-17.1</b>	<b>-18.6</b>	<b>-24.9</b>	<b>-26.2</b>
<b>GCC</b>	<b>67.4</b>	<b>201.4</b>	<b>176.6</b>	<b>256.4</b>	<b>65.0</b>	<b>163.4</b>	<b>278.9</b>	<b>237.9</b>
<b>Maghreb<sup>1</sup></b>	<b>17.4</b>	<b>57.8</b>	<b>59.0</b>	<b>64.7</b>	<b>3.3</b>	<b>16.4</b>	<b>16.7</b>	<b>13.0</b>
<b>Mashreq</b>	<b>-2.3</b>	<b>-0.7</b>	<b>-2.0</b>	<b>-4.6</b>	<b>-10.5</b>	<b>-12.2</b>	<b>-16.4</b>	<b>-18.5</b>

Sources: National authorities; and IMF staff estimates and projections.  
<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 18. Current Account Balance**  
(Percent of GDP)

	Average 2000–05	2006	2007	2008	2009	2010	Proj.	
							2011	2012
<b>MENAP<sup>1</sup></b>	<b>7.8</b>	<b>16.2</b>	<b>12.8</b>	<b>13.4</b>	<b>1.8</b>	<b>7.0</b>	<b>10.4</b>	<b>8.2</b>
<b>Oil exporters<sup>1</sup></b>	<b>11.2</b>	<b>21.9</b>	<b>17.6</b>	<b>18.7</b>	<b>4.1</b>	<b>10.6</b>	<b>15.0</b>	<b>12.4</b>
Algeria	14.0	24.7	22.8	20.2	0.3	7.9	13.7	10.9
Bahrain	5.0	13.8	15.7	10.2	2.9	4.9	12.6	13.7
Iran, I.R. of	5.1	9.3	10.5	6.5	3.0	6.0	7.8	7.1
Iraq	...	19.0	12.5	19.2	-13.8	-3.2	-0.9	-1.2
Kuwait	26.2	44.6	36.8	40.5	23.6	27.8	33.5	30.4
Libya	18.8	51.0	43.2	38.9	15.9	14.4	...	...
Oman	9.4	15.4	5.9	8.3	-1.3	8.8	14.5	12.9
Qatar	25.0	25.1	25.4	28.7	10.2	25.3	32.6	30.1
Saudi Arabia	13.6	27.8	24.3	27.8	5.6	14.9	20.6	14.2
Sudan	-9.5	-15.5	-12.7	-9.4	-13.9	-6.7	-7.3	-7.6
United Arab Emirates	7.7	15.3	6.0	7.4	3.0	7.0	10.3	9.2
Yemen	5.3	1.1	-7.0	-4.6	-10.2	-4.5	-5.3	-4.7
<b>Oil importers</b>	<b>-0.4</b>	<b>-1.3</b>	<b>-2.2</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.8</b>
Afghanistan, Rep. of	...	-5.7	0.9	-1.6	-2.6	2.7	-0.8	-4.4
Djibouti	-0.4	-11.5	-21.4	-24.3	-9.1	-4.8	-10.8	-11.6
Egypt	1.6	1.6	2.1	0.5	-2.3	-2.0	-1.9	-2.2
Jordan	0.0	-11.5	-16.8	-9.3	-3.3	-4.9	-6.7	-8.4
Lebanon	-15.2	-5.3	-6.8	-9.2	-9.7	-10.9	-14.7	-13.8
Mauritania	-18.8	-1.3	-17.2	-14.8	-10.7	-8.7	-7.5	-7.5
Morocco	2.2	2.2	-0.1	-5.2	-5.4	-4.3	-5.2	-4.0
Pakistan	1.6	-3.9	-4.8	-8.5	-5.7	-2.2	0.2	-1.7
Syrian Arab Republic	-2.3	1.4	-0.2	-1.3	-3.6	-3.9	-6.1	-6.1
Tunisia	-3.0	-1.8	-2.4	-3.8	-2.8	-4.8	-5.7	-5.5
<b>CCA</b>	<b>-1.6</b>	<b>3.2</b>	<b>1.6</b>	<b>8.9</b>	<b>0.3</b>	<b>5.8</b>	<b>7.3</b>	<b>6.1</b>
<b>Oil and gas exporters</b>	<b>-0.9</b>	<b>4.7</b>	<b>3.5</b>	<b>12.4</b>	<b>1.7</b>	<b>7.5</b>	<b>9.2</b>	<b>7.8</b>
Azerbaijan	-12.2	17.6	27.3	35.5	23.6	27.7	22.7	19.3
Kazakhstan	-1.4	-2.5	-8.1	4.7	-3.8	2.9	5.9	4.6
Turkmenistan	4.1	15.7	15.5	16.5	-16.0	-11.7	-2.9	-2.6
Uzbekistan	3.8	9.1	7.3	8.7	2.2	6.7	8.0	7.4
<b>Oil and gas importers</b>	<b>-5.4</b>	<b>-7.4</b>	<b>-10.9</b>	<b>-14.7</b>	<b>-9.8</b>	<b>-8.4</b>	<b>-9.2</b>	<b>-8.8</b>
Armenia	-6.4	-1.8	-6.4	-11.8	-15.8	-13.9	-11.7	-10.7
Georgia	-8.0	-15.1	-19.7	-22.6	-11.2	-9.6	-10.8	-9.2
Kyrgyz Republic	-0.1	-3.1	-0.2	-8.1	0.7	-7.2	-7.7	-7.6
Tajikistan	-2.8	-2.8	-8.6	-7.6	-5.9	2.1	-3.6	-6.7
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>8.4</b>	<b>18.0</b>	<b>14.2</b>	<b>15.0</b>	<b>2.4</b>	<b>7.7</b>	<b>11.2</b>	<b>9.0</b>
<b>MENA oil importers</b>	<b>-1.1</b>	<b>0.0</b>	<b>-1.1</b>	<b>-2.9</b>	<b>-3.9</b>	<b>-3.9</b>	<b>-4.8</b>	<b>-4.7</b>
<b>GCC</b>	<b>13.4</b>	<b>25.4</b>	<b>19.7</b>	<b>22.5</b>	<b>7.1</b>	<b>15.0</b>	<b>20.6</b>	<b>16.9</b>
<b>Maghreb<sup>1</sup></b>	<b>9.3</b>	<b>21.0</b>	<b>18.4</b>	<b>16.1</b>	<b>1.0</b>	<b>4.4</b>	<b>4.9</b>	<b>3.7</b>
<b>Mashreq</b>	<b>-1.6</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-1.7</b>	<b>-3.5</b>	<b>-3.6</b>	<b>-4.5</b>	<b>-4.7</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

**Table 19. Gross Official Reserves**  
(Billion U.S. dollars)

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP<sup>1</sup></b>	<b>251.1</b>	<b>601.9</b>	<b>848.8</b>	<b>1,010.1</b>	<b>1,000.1</b>	<b>1,096.1</b>	<b>1,143.4</b>	<b>1,291.4</b>
<b>Oil exporters<sup>1</sup></b>	<b>191.5</b>	<b>504.3</b>	<b>734.8</b>	<b>887.7</b>	<b>864.8</b>	<b>948.4</b>	<b>1,004.8</b>	<b>1,160.9</b>
Algeria	30.9	77.8	110.2	143.1	148.9	162.2	188.8	210.8
Bahrain	1.5	2.7	4.1	3.8	3.5	4.8	4.4	5.2
Iran, I.R. of	25.9	60.5	82.9	79.6	78.0	78.9	104.6	138.7
Iraq	...	20.0	31.5	50.2	44.3	50.6	55.7	63.9
Kuwait	8.0	11.8	15.9	16.7	17.7	18.7	23.0	25.2
Libya	21.6	59.4	79.5	91.9	100.3	106.5	...	...
Oman	3.3	5.0	9.5	11.4	12.2	13.1	13.9	15.1
Qatar	2.5	5.4	9.8	9.8	18.8	31.1	17.8	21.4
Saudi Arabia <sup>2</sup>	73.4	225.2	305.3	441.9	408.6	443.7	538.8	607.9
Sudan	0.6	1.7	1.4	1.0	0.7	0.8	0.8	1.0
United Arab Emirates <sup>3</sup>	16.4	28.0	77.9	30.9	25.5	32.8	54.1	70.2
Yemen	4.2	6.8	7.0	7.3	6.2	5.1	2.7	1.4
<b>Oil importers</b>	<b>59.6</b>	<b>97.7</b>	<b>114.0</b>	<b>122.4</b>	<b>135.2</b>	<b>147.7</b>	<b>138.6</b>	<b>130.6</b>
Afghanistan, Rep. of	...	2.0	2.8	3.5	4.2	5.3	5.7	6.4
Djibouti	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3
Egypt	15.4	23.0	28.6	34.6	31.3	35.2	26.6	17.6
Jordan	3.8	6.2	6.9	7.7	11.1	12.4	11.7	11.2
Lebanon	7.5	11.4	11.5	18.8	27.4	30.2	30.5	33.4
Mauritania	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.4
Morocco	11.8	20.8	24.7	22.8	23.6	23.6	23.4	23.6
Pakistan	6.1	10.8	14.3	8.6	9.1	13.0	14.8	12.9
Syrian Arab Republic	11.2	16.5	17.0	17.1	17.5	17.9	16.3	15.1
Tunisia	2.9	6.8	7.9	9.0	10.6	9.5	9.0	9.7
<b>CCA</b>	<b>8.6</b>	<b>29.2</b>	<b>33.7</b>	<b>40.1</b>	<b>46.7</b>	<b>56.1</b>	<b>74.0</b>	<b>90.3</b>
<b>Oil and gas exporters</b>	<b>7.4</b>	<b>26.3</b>	<b>29.4</b>	<b>35.9</b>	<b>40.7</b>	<b>49.8</b>	<b>66.7</b>	<b>83.0</b>
Azerbaijan	0.9	2.5	4.3	6.5	5.4	6.9	9.0	9.6
Kazakhstan	4.8	19.1	17.6	19.9	23.1	28.3	38.0	48.6
Turkmenistan	...	...	...	...	...	...	...	...
Uzbekistan	1.7	4.7	7.5	9.5	12.2	14.6	19.8	24.8
<b>Oil and gas importers</b>	<b>1.2</b>	<b>2.9</b>	<b>4.3</b>	<b>4.3</b>	<b>6.0</b>	<b>6.3</b>	<b>7.3</b>	<b>7.3</b>
Armenia	0.5	1.1	1.7	1.4	2.0	1.9	1.9	1.8
Georgia	0.3	0.9	1.4	1.5	2.1	2.3	2.8	2.8
Kyrgyz Republic	0.4	0.8	1.2	1.2	1.6	1.7	2.0	2.1
Tajikistan	0.1	0.1	0.1	0.2	0.3	0.5	0.6	0.7
<i>Memorandum</i>								
<b>MENA<sup>1</sup></b>	<b>244.3</b>	<b>589.1</b>	<b>831.7</b>	<b>998.0</b>	<b>986.8</b>	<b>1,077.8</b>	<b>1,122.9</b>	<b>1,272.1</b>
<b>MENA oil importers</b>	<b>52.8</b>	<b>84.9</b>	<b>97.0</b>	<b>110.3</b>	<b>121.9</b>	<b>129.4</b>	<b>118.1</b>	<b>111.3</b>
<b>GCC</b>	<b>105.0</b>	<b>278.1</b>	<b>422.5</b>	<b>514.6</b>	<b>486.3</b>	<b>544.3</b>	<b>652.1</b>	<b>745.0</b>
<b>Maghreb<sup>1</sup></b>	<b>67.3</b>	<b>165.0</b>	<b>222.5</b>	<b>266.9</b>	<b>283.6</b>	<b>302.1</b>	<b>221.5</b>	<b>244.6</b>
<b>Mashreq</b>	<b>37.9</b>	<b>57.0</b>	<b>64.0</b>	<b>78.2</b>	<b>87.3</b>	<b>95.8</b>	<b>85.2</b>	<b>77.2</b>

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

<sup>1</sup>2011 and 2012 data exclude Libya.

<sup>2</sup>Saudi Arabia Monetary Agency gross foreign assets.

<sup>3</sup>Central bank only. Excludes overseas assets of sovereign wealth funds.



**Table 20. Total Gross External Debt**  
(Percent of GDP)<sup>1</sup>

	Average						Proj.	
	2000–05	2006	2007	2008	2009	2010	2011	2012
<b>MENAP<sup>2</sup></b>	<b>33.5</b>	<b>31.4</b>	<b>34.3</b>	<b>29.4</b>	<b>34.5</b>	<b>31.8</b>	<b>27.1</b>	<b>27.0</b>
<b>Oil exporters<sup>2</sup></b>	<b>25.3</b>	<b>28.0</b>	<b>33.6</b>	<b>28.4</b>	<b>34.8</b>	<b>31.7</b>	<b>25.7</b>	<b>26.1</b>
Algeria	34.1	5.0	4.2	3.5	3.8	2.8	2.0	1.7
Bahrain	48.0	53.4	139.3	151.5	169.6	159.0	148.2	149.4
Iran, I.R. of	10.9	10.6	9.3	5.8	5.9	5.4	3.8	3.4
Iraq	...	215.9	174.6	110.4	137.8	107.5	30.1	29.0
Kuwait	28.1	30.4	50.2	40.7	52.6	40.9	32.5	32.5
Libya	17.6	10.1	8.1	5.8	9.5	7.8	...	...
Oman	23.3	15.5	17.2	15.1	18.6	11.9	9.6	8.3
Qatar	59.9	43.2	52.6	49.6	85.8	86.0	69.4	71.5
Saudi Arabia	11.7	11.9	19.7	17.5	23.8	20.9	18.8	19.9
Sudan	134.8	79.6	69.7	60.6	67.8	56.3	62.0	70.0
United Arab Emirates	17.4	36.3	50.5	43.2	48.4	46.5	40.7	40.2
Yemen	43.4	28.7	26.9	21.9	24.0	19.6	16.9	16.9
<b>Oil importers</b>	<b>52.4</b>	<b>41.9</b>	<b>36.5</b>	<b>32.6</b>	<b>33.6</b>	<b>32.1</b>	<b>31.3</b>	<b>29.8</b>
Afghanistan, Rep. of	...	169.4	23.0	20.2	9.2	8.2	8.2	9.2
Djibouti	59.1	56.8	63.6	60.2	59.8	56.1	53.7	53.6
Egypt	32.5	27.6	22.9	21.3	16.8	15.5	15.1	13.8
Jordan <sup>3</sup>	73.0	48.6	43.3	23.4	22.9	24.6	23.6	20.6
Lebanon	160.7	198.8	194.0	172.4	175.2	160.5	161.7	163.8
Mauritania	216.9	94.1	95.7	82.8	102.0	87.2	71.6	77.8
Morocco	36.1	23.9	23.7	20.6	23.3	24.6	24.8	24.4
Pakistan	39.8	28.0	27.0	27.1	32.1	31.6	29.5	25.0
Syrian Arab Republic	92.9	24.5	20.6	15.6	15.4	15.1	15.3	16.4
Tunisia <sup>4</sup>	60.1	53.9	51.8	45.9	49.4	48.6	49.5	50.0
<b>CCA</b>	<b>51.6</b>	<b>54.9</b>	<b>53.4</b>	<b>47.7</b>	<b>57.1</b>	<b>50.5</b>	<b>50.3</b>	<b>50.9</b>
<b>Oil and gas exporters</b>	<b>49.9</b>	<b>57.3</b>	<b>56.3</b>	<b>49.8</b>	<b>58.0</b>	<b>50.2</b>	<b>50.3</b>	<b>51.0</b>
Azerbaijan <sup>5</sup>	18.5	9.4	7.7	6.5	7.9	7.2	7.8	7.4
Kazakhstan	73.0	91.4	93.9	79.8	98.2	80.5	78.2	79.5
Turkmenistan	19.5	3.3	2.4	2.8	2.6	11.8	20.5	26.8
Uzbekistan	37.0	22.1	16.7	13.1	15.0	14.8	18.1	20.2
<b>Oil and gas importers</b>	<b>61.3</b>	<b>38.1</b>	<b>34.1</b>	<b>34.3</b>	<b>49.9</b>	<b>53.2</b>	<b>50.2</b>	<b>49.8</b>
Armenia <sup>5</sup>	37.6	18.9	15.7	13.5	34.3	35.2	35.1	34.5
Georgia	47.2	37.8	38.5	44.0	58.0	61.6	57.5	56.6
Kyrgyz Republic	107.1	77.7	60.2	45.1	58.2	68.3	59.4	56.2
Tajikistan	90.1	42.7	40.9	46.3	51.7	53.6	50.6	52.2
<i>Memorandum</i>								
<b>MENA<sup>2</sup></b>	<b>32.8</b>	<b>31.1</b>	<b>34.9</b>	<b>29.6</b>	<b>34.8</b>	<b>31.9</b>	<b>27.1</b>	<b>27.3</b>
<b>MENA oil importers</b>	<b>57.2</b>	<b>45.0</b>	<b>41.0</b>	<b>35.1</b>	<b>34.8</b>	<b>33.1</b>	<b>32.8</b>	<b>32.4</b>
<b>GCC</b>	<b>18.9</b>	<b>24.5</b>	<b>37.7</b>	<b>33.4</b>	<b>43.8</b>	<b>40.4</b>	<b>34.9</b>	<b>35.4</b>
<b>Maghreb<sup>2</sup></b>	<b>36.4</b>	<b>17.5</b>	<b>16.2</b>	<b>13.2</b>	<b>16.8</b>	<b>15.5</b>	<b>16.5</b>	<b>16.7</b>
<b>Mashreq</b>	<b>62.6</b>	<b>50.3</b>	<b>44.3</b>	<b>37.4</b>	<b>35.4</b>	<b>32.7</b>	<b>32.4</b>	<b>31.8</b>

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

<sup>1</sup>Nominal GDP is converted to U.S. dollars using period average exchange rate.

<sup>2</sup>2011 and 2012 data exclude Libya.

<sup>3</sup>Excludes deposits of nonresidents held in the banking system.

<sup>4</sup>Includes bank deposits of nonresidents.

<sup>5</sup>Public and publicly guaranteed debt, as private debt data are not reliable.

**Table 21. Capital Adequacy Ratios**  
(Percent of risk-weighted assets)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Mar-11	Jun-11
<b>Oil exporters</b>							
Algeria	15.2	12.9	16.5	21.9	22.8	...	...
Bahrain	22.0	21.0	18.1	19.6	...	...	...
Iran, I.R. of <sup>1</sup>	9.1	9.0	8.8	9.6	8.4	...	...
Iraq	...	...	...	...	...	...	...
Kuwait	20.2	19.3	15.6	16.7	18.9	...	...
Libya	11.6	11.8	12.2	14.5	...	...	...
Oman	17.2	15.8	14.7	15.5	15.8	...	...
Qatar	14.3	13.5	15.5	16.1	16.1	19.2	...
Saudi Arabia	21.9	20.6	16.0	16.5	17.1	...	...
Sudan	19.7	22.0	10.5	7.1	10.0	...	...
United Arab Emirates <sup>2</sup>	16.6	14.4	13.0	19.2	21.8	20.1	...
Yemen <sup>3</sup>	12.0	8.7	14.6	14.6 <sup>4</sup>	...	...	...
<b>Oil importers</b>							
Afghanistan, Rep. of	...	...	...	...	...	...	...
Djibouti	17.4	8.1	8.5	9.5	9.3	...	...
Egypt	14.7	14.8	14.7	15.1	16.1	...	...
Jordan	21.4	20.8	18.4	19.6	20.3	...	...
Lebanon <sup>5</sup>	25.0	12.5	12.2	13.7	13.3	...	...
Mauritania	...	28.2	33.0	37.9	34.5	...	...
Morocco	12.3	10.6	11.2	11.8	12.3	...	...
Pakistan	12.7	12.3	12.2	14.0	14.0	13.6	...
Syrian Arab Republic	7.0	6.5	6.5	6.3	6.5	...	...
Tunisia	11.8	11.6	11.7	12.4	12.6	...	...
<b>CCA</b>							
Armenia	34.9	30.1	27.5	28.3	22.2	21.3	20.0
Azerbaijan	18.7	19.9	19.6	17.7	16.9	16.5	16.3
Georgia	36.0	30.0	24.0	25.6	23.6	27.5	25.9
Kazakhstan	15.0	14.2	14.9	-8.2	17.9	17.8	18.8
Kyrgyz Republic	28.5	31.0	32.6	33.5	30.4	30.4	28.2
Tajikistan	...	19.4	24.2	25.4	24.5	20.3	18.9
Turkmenistan	25.3	15.9	30.9	16.5	17.2	14.9	...
Uzbekistan	...	23.2	23.2	23.4	23.4	...	...

Source: National authorities.

<sup>1</sup>December data refer to March data of the following year.

<sup>2</sup>National banks only.

<sup>3</sup>Data refer to all banks except the Housing Bank and CAC Bank. 2006 includes CAC Bank data.

<sup>4</sup>Audited financial statements.

<sup>5</sup>From 2007 onward, based on revised risk weights (Basel II).

**Table 22. Return on Assets**  
(Percent)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Mar-11	Jun-11
<b>Oil exporters</b>							
Algeria	0.9	1.1	1.2	1.4	1.5	...	...
Bahrain	2.1	1.2	1.3	1.2	...	...	...
Iran, I.R. of	...	...	...	...	...	...	...
Iraq	...	...	...	...	...	...	...
Kuwait	2.7	3.3	0.8	0.7	1.2	...	...
Libya	0.5	0.4	0.6	0.7	...	...	...
Oman	2.3	2.1	1.7	2.1	1.8	...	...
Qatar	3.7	3.6	2.9	2.6	2.6	2.7	...
Saudi Arabia	4.0	2.8	2.3	2.0	1.8	...	1.9
Sudan	3.6	3.7	3.0	3.8	3.9	...	...
United Arab Emirates <sup>1</sup>	2.3	2.0	2.1	1.5	1.4	...	2.0
Yemen	1.2	1.6	1.0	0.9	...	...	...
<b>Oil importers</b>							
Afghanistan, Rep. of	...	...	...	1.2	...	...	...
Djibouti	1.8	1.8	1.6	1.4	1.3	...	...
Egypt	0.8	0.9	0.8	0.8	0.8	0.8	...
Jordan	1.7	1.6	1.4	1.1	1.1	...	...
Lebanon <sup>2</sup>	0.9	1.0	1.1	1.1	1.2	...	...
Mauritania	...	4.0	1.9	1.4	0.4	...	...
Morocco	1.3	1.5	1.2	1.2	1.2	...	...
Pakistan	2.1	1.5	0.8	0.9	1.0	1.4	...
Syrian Arab Republic	2.0	2.4	1.8	1.9	1.0	...	...
Tunisia	0.7	0.9	1.0	1.0	1.0	...	...
<b>CCA</b>							
Armenia	3.6	2.9	3.1	0.7	2.2	2.0	2.3
Azerbaijan	1.3	1.9	1.8	2.2	0.9	1.2	1.1
Georgia <sup>3</sup>	2.8	1.9	-2.6	-0.8	1.7	1.6	2.2
Kazakhstan	...	2.3	0.3	-24.1	12.5	...	...
Kyrgyz Republic	3.4	4.4	3.8	2.5	1.1	2.5	2.7
Tajikistan	...	2.7	2.0	0.8	0.8	0.9	0.9
Turkmenistan	5.4	4.1	4.3	3.6	3.6	2.9	...
Uzbekistan	...	2.4	8.9	7.4	7.7	...	...

Source: National authorities.

<sup>1</sup>National banks only.

<sup>2</sup>After tax.

<sup>3</sup>After tax, cumulative and annualized.

**Table 23. Nonperforming Loans**  
(Percent of total loans)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Mar-11	Jun-11
<b>Oil exporters</b>							
Algeria	34.2	35.5	28.2	21.8	19.1	...	...
Bahrain	4.8	6.0	2.3	3.9	...	...	...
Iran, I.R. of <sup>1</sup>	15.7	16.9	19.1	18.1	13.7	...	...
Iraq	...	...	...	...	...	...	...
Kuwait	4.6	3.8	6.8	11.5	8.9	...	...
Libya	25.4	27.2	19.2	16.9	...	...	...
Oman	4.9	3.2	2.1	3.5	3.3	...	...
Qatar	2.2	1.5	1.2	1.7	2.0	2.3	...
Saudi Arabia	2.0	2.1	1.4	3.3	3.0	...	...
Sudan	19.4	26.0	22.4	20.5	14.4	...	...
United Arab Emirates <sup>2</sup>	6.3	2.9	2.3	4.3	5.6	...	6.2
Yemen <sup>3</sup>	23.0	19.5	18.0 <sup>4</sup>	13.9	...	...	...
<b>Oil importers</b>							
Afghanistan, Rep. of	3.4	0.7	1.2	0.7	...	...	...
Djibouti	15.6	10.9	8.6	6.7	6.2	...	...
Egypt <sup>5</sup>	18.2	19.3	14.8	13.4	11.0	...	...
Jordan	4.3	4.1	4.2	6.7	8.2	...	...
Lebanon	13.5	10.1	7.5	6.0	4.4	...	...
Mauritania <sup>6</sup>	...	32.4	26.4	27.7	28.7	29.7	29.7
Morocco	10.9	7.9	6.0	5.5	4.8	5.0	...
Pakistan	6.9	7.6	10.5	12.6	14.7	15.4	...
Syrian Arab Republic	4.7	5.3	5.1	4.8	...	...	...
Tunisia	19.3	17.6	15.5	13.2	12.1	...	...
<b>CCA</b>							
Armenia	2.5	2.4	4.4	4.8	3.1	3.5	3.4
Azerbaijan	6.6	3.0	3.3	3.5	4.7	5.2	5.0
Georgia	0.8	0.8	4.1	6.3	5.4	5.0	4.4
Kazakhstan <sup>7</sup>	...	...	5.2	21.2	23.8	25.3	26.3
Kyrgyz Republic	6.2	5.3	5.3	8.2	15.8	13.8	12.3
Tajikistan <sup>8</sup>	4.1	2.8	5.4	10.4	7.5	7.5	9.1
Turkmenistan	0.6	0.4	0.1	0.1	0.1	0.1	...
Uzbekistan	...	2.6	3.0	1.2	1.0	...	...

Source: National authorities.

<sup>1</sup>December data refer to March data of the following year.

<sup>2</sup>National banks only.

<sup>3</sup>Data refer to all banks except the Housing Bank and CAC Bank. 2006 includes CAC Bank data.

<sup>4</sup>Audited financial statements.

<sup>5</sup>Provisioning to nonperforming loans surpassed 100 percent as of Dec. 2009 and data refer to end of the fiscal year.

<sup>6</sup>Provisioning to nonperforming loans stood at 89 percent in June 2011.

<sup>7</sup>90-day basis.

<sup>8</sup>Overdue by 30 days or more.