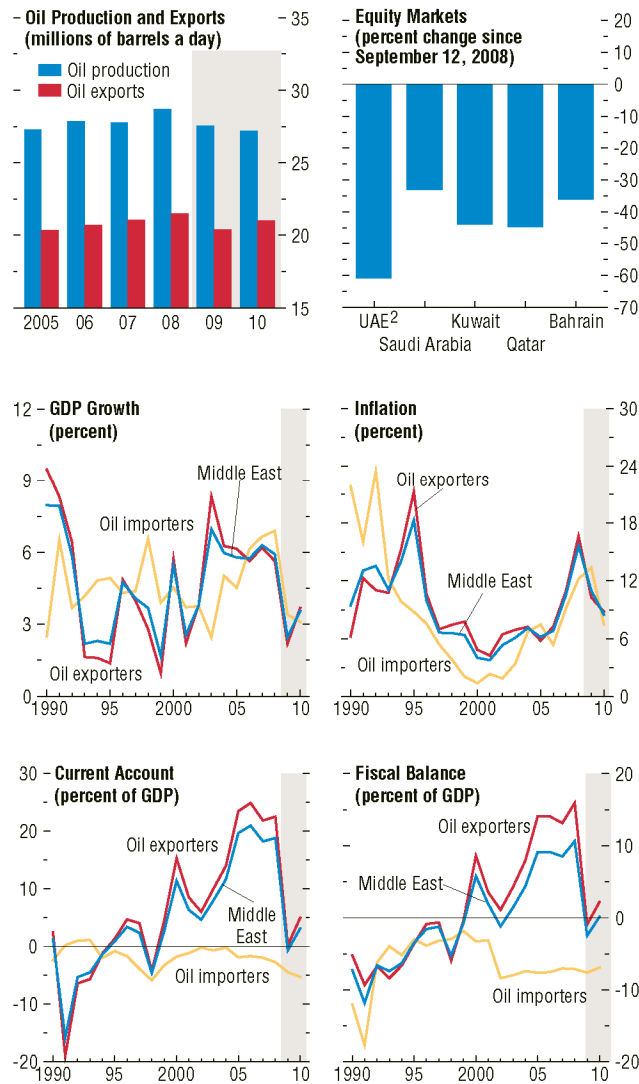


**Figure 2.8. Middle East: Coping with Lower Oil Prices<sup>1</sup>**

The steep decline in the price of oil is hitting the region hard. As external financing conditions have deteriorated and capital inflows reversed, many equity and property markets have suffered substantial losses. Despite supportive policies, growth is projected to slow and inflation pressures to subside considerably in 2009. At the same time, the external and fiscal balances are set to worsen sharply, as oil-exporting countries utilize the buffers accumulated during the boom years to cushion the impact of the crisis.



Sources: Bloomberg Financial Markets; and IMF staff estimates.

<sup>1</sup>Oil exporters include Bahrain, Islamic Republic of Iran, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates, and Republic of Yemen. Oil importers include Egypt, Jordan, Lebanon, and Syrian Arab Republic.

<sup>2</sup>United Arab Emirates.