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Contents

Assumptions and Conventions

A number of assumptions have been adopted for the projections presented in the *Regional Economic Outlook: Middle East and Central Asia*. It has been assumed that established policies of national authorities will be maintained; that the price of oil will average US$107¼ a barrel in 2008 and US$100½ in 2009; and that the six-month London interbank offered rate (LIBOR) on U.S. dollar deposits will average 3.17 percent in 2008 and 3.10 percent in 2009. These are, of course, working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would in any event be involved in the projections. The 2008 data in the figures and tables are estimates. These estimates for 2008 and projections for 2009 are based on statistical information available through end-September 2008.

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, 2006–07 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, 2006/07) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2007).
- "Billion" means a thousand million; "trillion" means a thousand billion.
- "Basis points" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

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

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

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Highlights

The Middle East and Central Asia (MCD) region has continued to experience strong growth in 2008, outpacing global growth for the ninth year in a row. High commodity prices, strong domestic demand, and credibility of policy frameworks underpin an expected real GDP growth of 6½ percent this year. And while growth in MCD is lower than in developing countries and emerging Asia, the region has so far largely remained resilient to the ongoing international credit crisis and the downturn in developed economies.

The global credit crunch thus far has had a mixed impact on regional financial markets. Most equity markets are down from highs achieved in late 2007 and early 2008. Sovereign spreads have widened across MCD countries, but domestic bond markets have stayed broadly steady in most countries. Banking sectors in the region generally remain sound with continued improvements in prudential indicators and strengthened banking supervision, although liquidity pressures have emerged in a few countries.

Inflation has emerged as a key issue in MCD countries, and is well above the average of all developing and emerging market countries. The main sources of inflationary pressures range from the surge in food and fuel prices, which has notably affected low-income and emerging market countries, to strong domestic demand pressures and supply bottlenecks in the Gulf Cooperation Council (GCC) countries, to the weakening of the U.S. dollar (until July 2008), to which many MCD countries are pegged. To mitigate social tensions from declines in purchasing power, a number of countries have increased minimum wages and civil service salaries, which has risked further fueling inflation.

Driven by the oil exporters, external positions have continued to strengthen in 2008 despite the negative impact of higher food prices on imports, and emerging market countries have seen a surge in foreign direct investment. In this setting, gross official reserves of the region have increased substantially. Government savings are expected to rise considerably in 2008, with the total fiscal surplus rising to 8¾ percent of GDP in 2008. Monetary aggregates are expected to continue to grow strongly in 2008, in part reflecting the difficulty in tightening monetary policy—constrained by the relative inflexibility of many MCD currencies vis-à-vis the U.S. dollar—but also further financial deepening in some countries.

The short-term outlook for the MCD region is generally favorable. Real GDP growth is projected to slow to 6 percent in 2009. For the oil exporters, a pick-up in oil production should offset a moderation of activity in the non-oil sector in 2008–09. And while growth in low-income countries should rise as commodity prices soften, growth in emerging market countries will moderate in the face of headwinds from the global slowdown. Inflation should gradually ease in response to tighter macroeconomic policies, and as commodity prices soften. External and fiscal positions should remain strong, driven primarily by the continued large surpluses in oil-exporting countries.

Risks to the outlook in the MCD region are moderately to the downside. Growth could be lower than forecast in case of a sharper and more protracted slowdown in advanced economies than is envisaged. Inflation could be higher, if international food and oil prices surge once again, or if macroeconomic policy is not sufficiently tight. In particular, second-round effects—driven by wage increases in a number of countries—could take hold, leading to some entrenching of wage and price expectations if policies do not adjust appropriately. On the other hand, a continuation of the recent correction in commodity prices would lessen inflationary pressures, as would a further recovery of the U.S. dollar, for those countries that peg their currencies to the U.S. dollar. On risks to the financial sector, direct exposure of the MCD region to troubled financial institutions and credit markets in developed countries is relatively limited.

Thus, MCD financial institutions are unlikely to suffer significantly should financial conditions in developed country markets continue to deteriorate. However, growth in property prices in the region has been very strong in recent years, and could be vulnerable to a correction, impacting bank portfolios and overall growth of GDP.

The immediate macroeconomic policy challenges faced by the MCD region center on managing continued inflation pressures and addressing the growing risks from the global credit crisis. On inflation, many central banks have already raised policy interest rates, but policy responses so far have been modest and interest rates generally remain negative in real terms, particularly in countries where the exchange rate is heavily managed vis-à-vis the U.S. dollar. The appropriate policy mix will depend on the particular circumstance of each country, but would generally call for tighter macroeconomic policies and greater exchange rate flexibility. All countries should be particularly attentive to potential second-round inflation effects, and for this reason should avoid further broad-based wage increases.

To reduce effects from the global credit crisis, continued efforts are needed to boost the resilience and flexibility of the region's financial sector. In particular, policymakers should aim to strengthen the banking system further and remain vigilant to any effects from the global credit crisis. They should also closely monitor developments in real estate prices and assess vulnerabilities of the financial system to property price corrections and liquidity pressures.

Countries should continue their fiscal consolidation efforts by phasing out petroleum and food subsidies. Despite the recent falls in commodity prices, oil prices are likely to remain at relatively high levels, and MCD countries should move gradually to market-based pricing of petroleum and food products combined with targeted measures to help the poor. In oil-exporting countries, continued investment in oil production is needed. In parallel, these countries should implement structural reforms that would contribute to building competitive non-oil sectors.

The depreciation of the dollar and the acceleration in commodity prices through the first half of 2008 have raised questions about the appropriateness of exchange rate pegs, notably for commodity exporters pegged to the U.S. dollar. While an exchange rate revaluation might have helped these countries manage inflation by lowering imported inflation, such a step would have a number of disadvantages. Moreover, the recent correction to commodity prices and the recovery in the U.S. dollar have weakened the case for revaluation. But if the currency and commodity price trends seen through the summer of 2008 were to resume, or if inflation were to accelerate, then the case for maintaining their exchange rate pegs would need to be reviewed. Countries with flexible exchange rate regimes should allow their currencies to respond more fully to market movements by reducing central bank intervention.

Finally, the recent macroeconomic performance provides an opportunity to address the long-standing problems of unemployment and poverty in the region. To this end, governments should take steps to improve the investment climate and lower the cost of doing business, reduce the size of the state in the economy, improve labor market flexibility, and reform the educational system to reduce the "skills gap" that is evident in many, if not most, MCD countries. ■

Country and Regional Groupings

The October 2008 *Regional Economic Outlook: Middle East and Central Asia* (REO), covering countries in the Middle East and Central Asia Department (MCD) of the International Monetary Fund (IMF), provides a broad overview of recent economic developments in 2008 and prospects and policy issues for the remainder of 2008 and 2009. To facilitate the analysis, the 30 MCD countries covered in this report are divided into three groups: oil-exporting countries, low-income countries, and emerging market countries. Countries are grouped based on the share of oil in total exports, per capita income, and access to international capital markets. The country acronyms used in some figures are included in parentheses.

Oil-exporting countries comprise Algeria (DZA), Azerbaijan (AZE), Bahrain (BHR), Iran (IRN), Iraq (IRQ), Kazakhstan (KAZ), Kuwait (KWT), Libya (LBY), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), Syria (SYR), Turkmenistan (TKM), and the United Arab Emirates (UAE).

Low-income countries comprise Afghanistan (AFG), Armenia (ARM), Djibouti (DJI), Georgia (GEO), the Kyrgyz Republic (KGZ), Mauritania (MRT), Sudan (SDN), Tajikistan (TJK), Uzbekistan (UZB), and Yemen (YMN).

Emerging market countries include Egypt (EGY), Jordan (JOR), Lebanon (LBN), Morocco (MAR), Pakistan (PAK), and Tunisia (TUN).

In addition, the following geographical groupings are used:

CCA (the Caucasus and Central Asia) comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Emerging Asia comprises Bangladesh, Bhutan, Cambodia, China, Fiji, India, Indonesia, Kiribati, Republic of Korea, Lao People's Democratic Republic, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Taiwan Province of China, Thailand, Tonga, Vanuatu, and Vietnam.

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

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

Mashreq comprises Egypt, Jordan, Lebanon, and Syria.

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

Recent Economic Developments

Robust growth continues

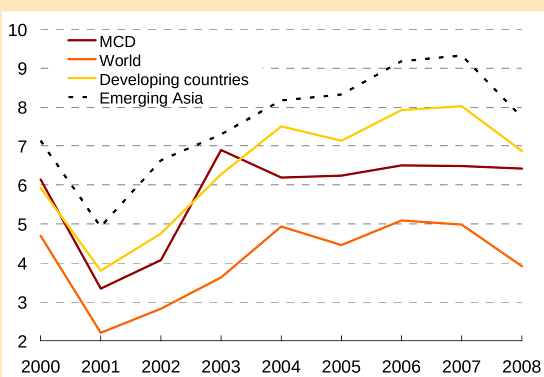
The MCD region has continued to experience strong growth in 2008, outpacing global growth for the ninth year in a row (Figure 1). High commodity prices, strong domestic demand, and credibility of policy frameworks underpin an expected real GDP growth of 6½ percent in 2008, well above average growth since 2000. As a result, real GDP per capita is likely to grow by 5 percent in 2008, compared to 3 percent earlier this decade. And while growth in the MCD region is lower than in developing countries and emerging Asia—the region has nonetheless largely remained resilient to the ongoing international credit crisis and the downturn in developed economies.

Among MCD countries, growth performance is anticipated to remain at the same level as in 2007 in *oil-exporting countries*, ease in *low-income countries,* and strengthen in *emerging market countries* (Figure 2):

- *Oil-exporting countries* are expected to continue to grow at an average of 6½ percent (Figure 3). Average growth in the non-oil sector is expected to decline to 6¾ percent, ¾ percentage point less than in 2007, mainly reflecting spillovers from the global financial turmoil to Kazakhstan. In contrast, oil output growth is projected to double in this country grouping, with production increasing in Iraq (following the improvement in security), Libya, Oman,

Figure 1. Global Real GDP Growth

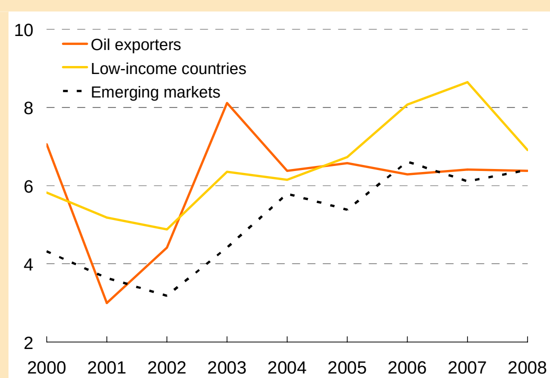
(Annual change; in percent)



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

Figure 2. Real GDP Growth in the MCD Region

(Annual change; In percent)



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

Qatar, and Saudi Arabia. With the depletion of reserves, oil GDP is expected to continue to fall in Bahrain and Syria, though at a slower pace than in 2007.

- Average growth in *low-income countries* is estimated to moderate to 7 percent, essentially because of the impact of rising international food and fuel prices during the first half of the year. In addition, drought has affected agricultural output in Afghanistan, and winter weather–related electricity shortages have hit economic activity in Tajikistan.
- Growth is likely to increase to 6½ percent in *emerging market countries*, driven mainly by a surge in foreign direct investment, including from the GCC countries. Other factors include a rebound in Morocco's agriculture sector, and strong tourism in Lebanon. In contrast, the global economic slowdown and higher food and fuel prices are likely to lower growth in Jordan and Pakistan, and in Tunisia, economic activity is expected to decelerate because of a temporary drop in hydrocarbon production.

However, unemployment remains high in a number of countries in the region, reflecting a rapidly expanding labor force (Figure 4). Based on available data for about half of MCD countries, unemployment in the region is declining slowly, from 9¾ percent in 2004 to 9¼ percent in 2007.[1] Among the countries for which data are available, the most significant unemployment reductions were in Algeria (from 17¾ percent to 13¾ percent) and Armenia (from 9½ percent to 7½ percent).

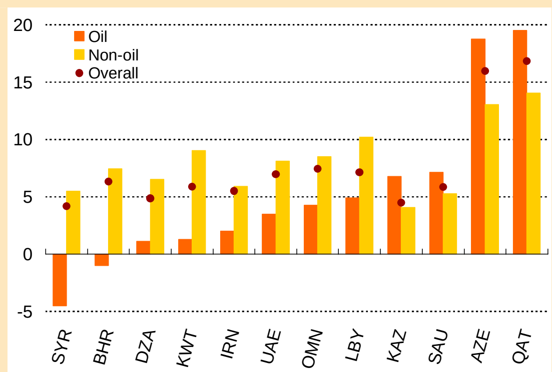
Inflation is a concern

Consistent with global trends, inflation has emerged as a key issue in MCD countries. The main sources of inflationary pressures differ, however, across country groupings. These range from the surge in food and fuel prices (Box 1), which has affected mostly *low-income* and *emerging market countries*, to strong domestic demand pressures and supply bottlenecks—particularly in the housing sector—in the GCC countries, to the weakening of the U.S. dollar, to which many MCD countries are pegged.

Average consumer price inflation in the MCD region is projected at 15 percent in 2008 (Figure 5a), well above the average of all developing and emerging market countries. The

Figure 3. Oil and Non-Oil Real GDP Growth in Selected Oil Exporters, 2008

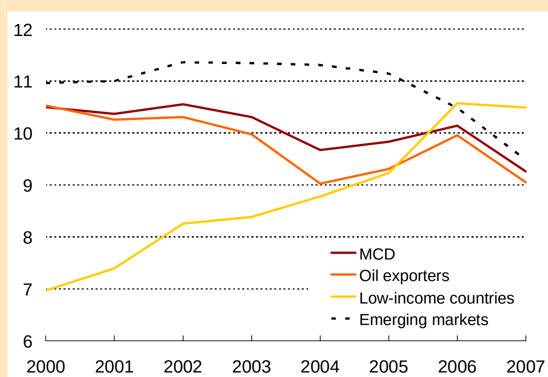
(Annual change; In percent)



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

Figure 4. Unemployment Rate

(In percent)



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

[1] Data on unemployment are available for only 17 MCD countries (6 oil-exporting countries, 6 low-income countries, and 5 emerging market countries).

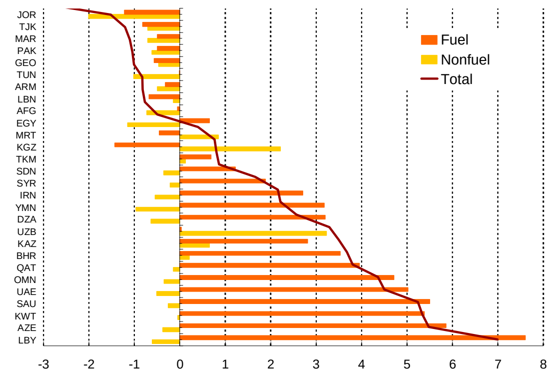
Box 1. Macroeconomic Implications of Higher Commodity Prices

Recent macroeconomic developments in the MCD region have in large part been driven by the high world commodity prices, which have had a significant impact on external balances and inflation. Countries have adopted a range of policy responses, some with a heavy fiscal cost, and many have boosted social safety nets.

Higher commodity prices have had a diverse impact on balance of payments across the region. Oil-exporting countries have overwhelmingly benefited. For some countries that export other commodities, higher non-oil export prices have offset the negative effects of imported food and fuel. However, external balances in many net commodity importing countries have been adversely affected, with the negative impact of higher world prices in 2007 exceeding 1 percentage point of GDP in some countries (Jordan, Pakistan, Tajikistan) (Figure B1.1), and a further widening is expected in 2008.

Figure B1.1. First-Round Impact of Commodity Price Changes on the External Current Account

(2007 over 2006, in percent of 2006 GDP)



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

Higher commodity prices have had a widespread impact on inflation. The latest observations in 2008 indicate that headline inflation in MCD countries has so far accelerated to 17 percent on average, from below 9 percent at end-2006. Food prices so far have had the largest impact, with an average contribution ranging from over 40 percent in oil-exporting and emerging market countries to over 70 percent in low-income countries—far more than the contribution of fuel (5 percent). This is mainly due to the weight of food products in consumption baskets, and the low pass-through of higher international fuel prices into domestic prices in many countries (see Box 2). Given the share of food in consumption baskets, rising food prices are of particular concern for emerging market and low-income countries.

Changes in world commodity prices typically account for about 40 percent of fluctuations in domestic headline inflation in the region, although there is considerable cross-country variation (Figures B1.2 and B1.3).[1] World fuel price shocks have had a significantly smaller and more heterogeneous effect on inflation as compared to food price shocks, in line with the high share of food in consumption baskets and the incomplete pass-through of international fuel prices.

[1] A recent IMF staff study disentangles the impact on inflation of different external and domestic factors, by estimating a vector autoregressive model (VAR) for 16 countries over the period 1999–2008. The model uses monthly data on annual changes in world food and fuel prices, nominal effective exchange rates, broad money, and headline and core inflation.

Box 1 *(continued)*

Figure B1.2. Contribution of Food to the Change in Headline Inflation (end-2006 to latest observation in 2008, year on year)

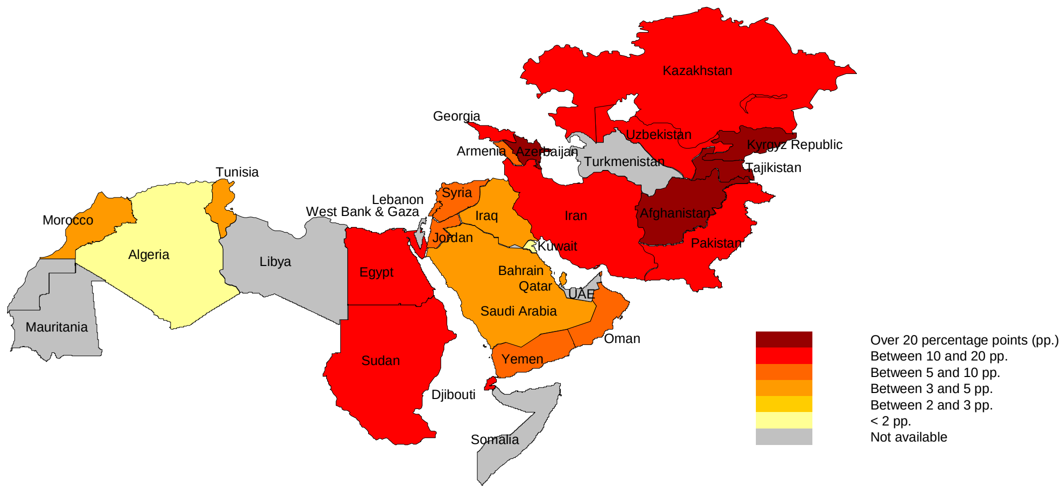
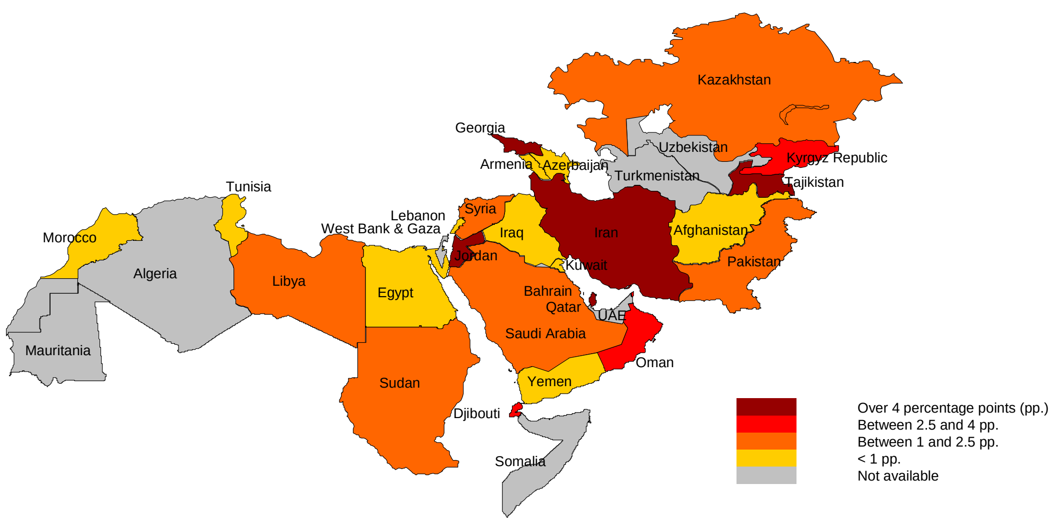


Figure B1.3. Contribution of Fuel to the Change in Headline Inflation (end-2006 to latest observation in 2008, year on year)



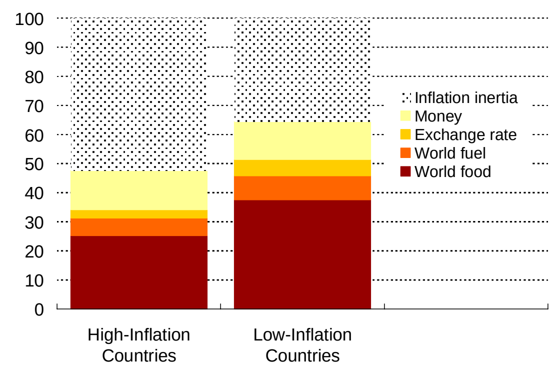
Domestic factors, such as monetary and exchange rate policies, and inflation history also have a noticeable effect on headline inflation. Notably, inflation inertia is considerably lower in countries where inflation has been contained in the past (Figure B1.4). The overall size of the inflationary impact of external and domestic shocks differs across countries due to consumption patterns, cost structures of domestic production, as well as policy reactions.

Box 1 *(concluded)*

Higher commodity prices feed through into core inflation (excluding energy and food). The spillover of world food and fuel prices to core inflation indicates that price shocks could exacerbate inflation. Such risks are elevated for countries where domestic demand has been growing strongly. Moreover, spillover effects are more significant in countries that have experienced high inflation in the past, suggesting that second-round inflationary impacts depend on how well inflation expectations are anchored.

Figure B1.4. Contribution to Variation in Inflation, 1999–2008

(After 24 months; in percent)



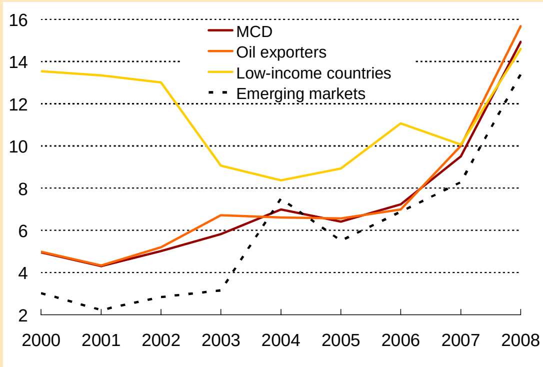
Sources: IMF, *World Economic Outlook*; and IMF staff estimates.

Countries in the region have resorted to a wide range of policy actions in order to contain inflation and alleviate its social impact. Many countries have adopted one-off, temporary measures to ensure food availability and protect the incomes of the poor. Although the overall fiscal costs of these measures have generally been small, the cost of universal food and fuel subsidies is projected to be significant for a number of countries (Egypt, Pakistan, Turkmenistan, and Yemen).

- *Tax cuts.* Reductions in import tariffs on major food staples have been the most common response across the region. Several countries have also cut value-added tax (VAT) rates or suspended VAT on selected food items (Jordan, Kyrgyz Republic, Morocco), or lowered excises and other duties on fuel.
- *Consumption subsidies.* Universal subsidies prevalent before the onset of price hikes have risen in many cases, especially for basic foodstuffs (Egypt, Jordan, and Pakistan), fuel and energy (Morocco, Yemen) or fertilizers (Azerbaijan, Pakistan).
- *Price controls.* Adjustments to domestic energy prices have often not kept pace with international price developments in many countries (Box 2). Price ceilings on food distribution margins have been imposed in Djibouti, while the United Arab Emirates has frozen the price of 18 basic foodstuff prices at 2007 levels.
- *Trade restrictions.* A number of countries have sought to protect domestic supplies of food. For example, wheat and rice exporters, such as Egypt, Kazakhstan, and Pakistan, have imposed export restrictions either in the form of outright bans or increased taxes related to food exports.
- *Social safety nets.* Many governments have boosted social safety nets. Interventions have included direct food distribution (Mauritania), scaling-up of targeted income support (Jordan, Saudi Arabia, and Yemen), and school feeding programs (Kyrgyz Republic). In certain countries (Azerbaijan, Kyrgyz Republic, Morocco, and Uzbekistan), low-wage civil servants have received wage increases.
- *Supply-side measures*. To stimulate domestic food production, several governments have started providing agricultural inputs (Azerbaijan) and subsidized credit to rural producers (Tajikistan). ■

Figure 5a. Consumer Price Inflation: Country Aggregates

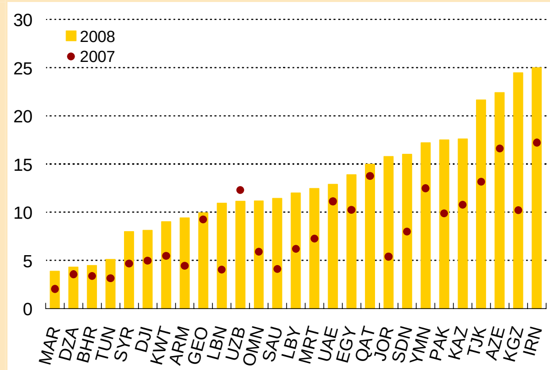
(Average; annual change; in percent)



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

Figure 5b. Consumer Price Inflation: Individual Countries

(Average; annual change; in percent)



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

Caucasus and Central Asia (CCA) is expected to record the highest regional inflation in the world (17 percent), with rates surpassing 20 percent in Azerbaijan, Kyrgyz Republic, and Tajikistan. Inflation in the GCC is also expected to be in double digits in the wake of strong demand pressures (Figure 5b), and Iran's expansionary policies are likely to cause inflation to rise to 25 percent, despite price controls on several food items. In contrast, inflation in the Maghreb is expected to remain contained at 5¾ percent, reflecting sound policies, as well as the use of food and fuel subsidies. In Iraq, a policy package that includes exchange rate appreciation, monetary tightening, fiscal discipline, and measures to reduce fuel shortages has reduced inflation sharply.

Core inflation (excluding energy and food) is rising in a number of countries, including Egypt, Kazakhstan, Kyrgyz Republic, and Yemen, and reached double digits in the MCD region (Table 1 presents the most recent observations through mid-2008). There are concerns that inflation expectations may have started to increase—particularly in cases where wage pressures and buoyant domestic demand might fuel second-round effects. Wages have been increased in more than half of MCD countries during 2007–08, partly to soften social tensions from the decline in real wages and purchasing power. Civil service wage increases have ranged from 10 percent on average in Mauritania to 80 percent in Uzbekistan, while in Azerbaijan the minimum wage has increased by 150 percent (see Table 2). The decision by a number of governments in the region to limit the pass-through of world oil prices to domestic petroleum products has helped contain inflation, but at an increasing fiscal cost (Box 2).

Inflation has offset nominal exchange rate depreciations

Continuing the appreciation trend of recent years, the region's average real effective exchange rate appreciated by 3 percent between June 2007 and June 2008 (Figure 6). However, in nominal effective terms, exchange rates depreciated on average by 4½ percent over the same period (Figure 7). The lack of exchange rate flexibility in several countries has contributed to a build-up of inflationary pressure, by forcing the adjustment of the real exchange rate through domestic inflation.

Table 1. Food, Fuel, and Headline Inflation

(12-month percentage change, latest observation in 2008)

	Headline Inflation	Food Inflation[1]	Fuel Inflation[1]	Core Inflation[2]
MCD countries[3]	17.0	22.6	15.1	10.8
Oil exporters	15.9	20.4	18.2	11.0
Low-income countries	19.0	25.8	12.0	10.1
Emerging markets	18.9	26.5	11.9	10.6

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

[1]Changes in food or fuel-related consumer prices (or closest equivalents).
[2]Excluding energy and food.
[3]Excluding Turkmenistan and United Arab Emirates, for which monthly 2008 data are not available.

Table 2. Wage Increases in MCD Countries (2007–08)

	Coverage	Size of Increase
Afghanistan	Minimum wage in the civil service	12 percent
Armenia	Civil service wages	24 percent
Azerbaijan	Minimum wage	150 percent
Egypt	Civil service wages	20 percent
Georgia	All wages	35 percent on average
Iran	Minimum wage and civil service wages	46 percent and 14 percent, respectively
Iraq	Civil service wages	40 percent
Jordan	Civil service wages	JD 45–50 per month
Kuwait	Civil service cost of living allowance	KD 150, and KD 50 for wages < KD 1,000
Kyrgyz Republic	Civil service wages	30–80 percent
Lebanon	Minimum wage and civil service wages	15–17 percent on average
Libya	Civil service wages	50 percent
Mauritania	Civil service wages	10 percent
Morocco	Minimum wage and low civil service wages	5 percent
Oman	Civil service wages	5–42 percent
Pakistan	Civil service wages	38 percent
Qatar	Civil service wages	30 percent
Saudi Arabia	Civil service wages	15 percent over 3 years
Syria	Civil service wages	56 percent
Tajikistan	Civil service wages	40 percent
Turkmenistan	Civil service wages	10 percent
United Arab Emirates	Civil service wages	20–70 percent
Uzbekistan	Civil service wages	80 percent
Yemen	Civil service wages	25–35 percent

Sources: Country authorities; and IMF staff estimates.

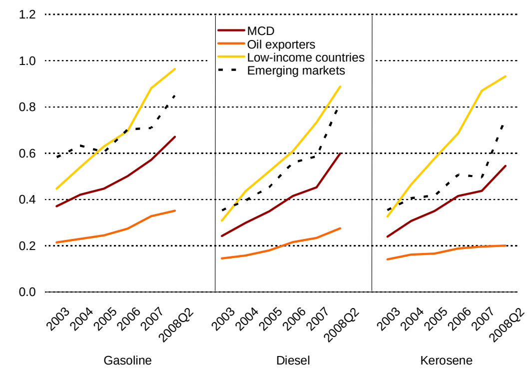
Box 2. Pass-Through of International Oil Prices in MCD Countries

The pass-through of higher international oil prices to domestic prices for petroleum products has been incomplete in most MCD countries. This has led to higher subsidies but also helped to mute inflation pressures.

While retail prices for oil products have increased in most MCD countries, price differences across countries have widened (Figure B2.1). In general, oil products are relatively cheap in oil-exporting countries and more expensive in oil importers. Moreover, the dispersion of gasoline prices across countries (measured by the standard deviation of gasoline retail prices) has doubled over the period 2003–08, reflecting different pricing and tax regimes.

Figure B2.1. Retail Prices for Oil Products in MCD Countries

(In U.S. dollars per liter, end of period)

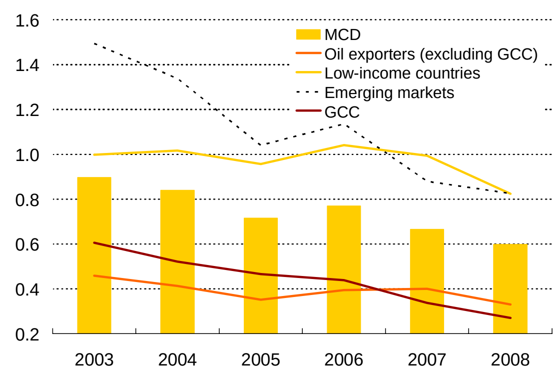


Sources: Data provided by country authorities; and IMF staff estimates and projections.

Very few countries have fully passed through the rise in world fuel prices to retail customers. Retail fuel prices in most MCD countries remain well below international levels (e.g., compared to prices in the United States) (Figure B2.2). The pass-through from international to domestic retail gasoline prices between end-2003 and mid-2008 (defined as the ratio of the absolute change in domestic gasoline prices to the equivalent change in the United States[1]) was only partial in most countries. The average degree of pass-through for all MCD countries is about 40 percent, but there is significant cross-country and regional variation:

- Pass-through was highest for low-income countries (70 percent); the GCC recorded the lowest pass-through (25 percent).
- Pass-through is larger than 100 percent in Georgia, and Mauritania, reflecting these countries' liberalized fuel price regimes.

Figure B2.2. Domestic Price of Unleaded Gasoline Relative to U.S. Prices



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

Low pass-through has been associated with explicit or implicit fuel subsidies. Explicit subsidies mainly reflect budgetary compensation to national energy or refining companies, and are expected to exceed 3 percent of GDP in 2008 in three countries: Egypt, Morocco, and Yemen. Explicit subsidies have generally increased in countries that have relied on universal fuel subsidies for their safety net, except in Jordan, where subsidies for virtually all petroleum products were removed in early 2008. Implicit subsidies, which reflect domestic sales of fuels at below export prices, with no explicit compensation from the budget, are more prevalent among oil-exporting countries. While implicit subsidies are much harder to measure, estimates range from 2.5 percent of GDP (United Arab Emirates) to over 17 percent of GDP (Iran) in 2008. ■

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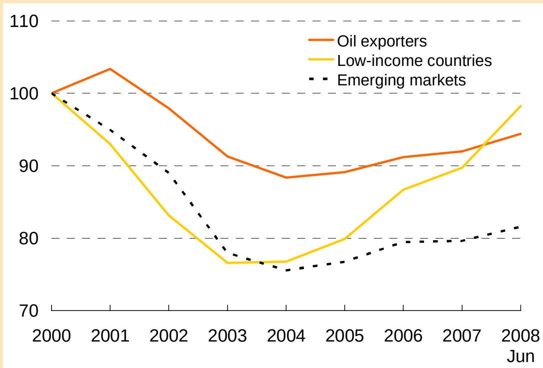
[1] Various studies find that pass-through in the U.S. gasoline market is quite rapid (full pass-through occurs within two months).

Figure 6. Real Effective Exchange Rates

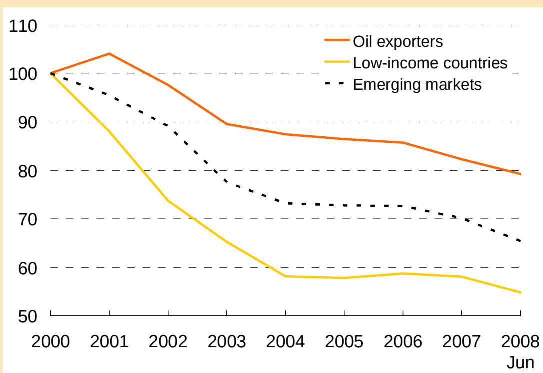
(Index, 2000 = 100; increase indicates appreciation)



Source: IMF Information Notice System.

Figure 7. Nominal Effective Exchange Rates

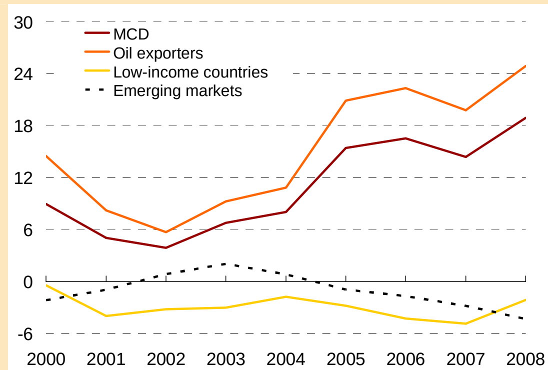
(Index, 2000 = 100; increase indicates appreciation)



Source: IMF Information Notice System.

Figure 8. External Current Account Balance

(In percent of GDP)



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

Terms of trade are positive, external balances stronger

External positions continue to strengthen in 2008 despite a larger import bill resulting from higher food prices. The current account surplus of MCD countries is expected to increase markedly, from 14½ percent of GDP in 2007 to an estimated 19 percent in 2008 (Figure 8). This projected improvement is accounted for mainly by commodity-exporting countries (including oil exporters), which have benefited from the sharp increase in commodity prices.

- The current account surplus in *oil-exporting countries* is expected to reach 25 percent of GDP (US$540 billion) in 2008, an increase of US$228 billion (or 74 percent) from 2007. With oil prices expected to be on average 50 percent higher in 2008 than in 2007, this expansion reflects substantial savings of this year's additional oil export receipts. The current account balance is expected to deteriorate in Iraq (as investment-related imports rise, and inflows of foreign grants diminish) and in Syria (reflecting the steady decline in oil exports).

- The current account deficit in *low-income countries* is likely to narrow in 2008, from an average of 5 percent of GDP to 2¼ percent. This progress mainly reflects improved terms of trade in commodity-exporting countries (e.g., Mauritania, Sudan, Uzbekistan, and Yemen) and buoyant remittances in Tajikistan.

- External positions are expected to deteriorate in most *emerging market countries*. Overall, the current account deficit of this grouping is projected to widen by 1½ percentage points of GDP, with particularly large deficits in Jordan and

Lebanon. This deterioration mirrors again higher food and fuel import bills in all countries, as well as higher foreign direct investment (FDI)-related imports and strong domestic demand in Egypt, Lebanon, and Tunisia.

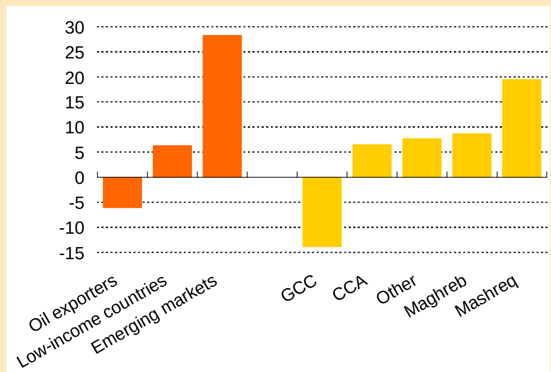
The steady rise in oil prices since 2003 has contributed to booming gross FDI inflows to the region, from US$18 billion in 2002 to US$94 billion in 2008. The largest share of these inflows is directed toward the oil sector in *oil-exporting countries*, but *low-income* and *emerging market countries* are also enjoying higher FDI inflows. Many of these inflows are intraregional, originating from the GCC and reflecting investment of oil revenue abroad. Negative net FDI inflows to *oil-exporting countries* suggest that these countries are investing part of their oil revenue abroad (Figure 9).

A recent study of economic linkages between the GCC and other countries in MCD suggests that the oil boom in the GCC states has had positive spillover effects.[2] The study finds that real GDP growth in regional countries is strongly associated with the accumulation of financial surpluses and the growth of remittance outflows from the GCC. The presence of countervailing financial and remittance flows from the GCC helps explain why growth in oil-importing countries in the region has continued to be buoyant, notwithstanding the recent sharp increases in oil prices.

Other capital flows (i.e., non-FDI) have remained largely untouched by the ongoing global credit crunch. In this setting, a large current account surplus and a balanced capital account are expected to result in a substantial increase in MCD countries' official international reserves (Figure 10). Gross official reserves of the region have increased almost fivefold in the last five years, and are set to surpass US$1.1 trillion at end-2008, US$260 billion higher than at end-2007. Reserves have increased in all country groupings, but *oil-exporting countries* dominate the picture: their reserves are expected to be over US$1 trillion by end-2008. In most *low-income* and *emerging market countries*, capital inflows have more than offset current account deficits and allowed for a slight

Figure 9. Net Foreign Direct Investment, 2008

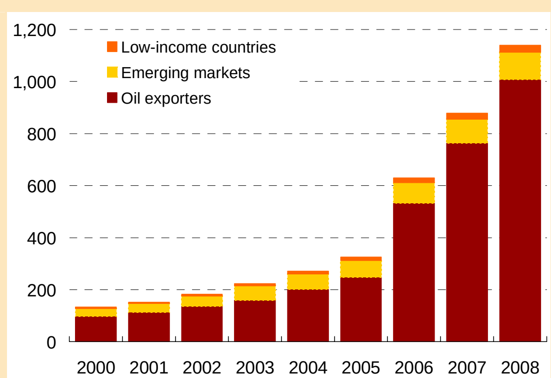
(In billions of U.S. dollars)



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

Figure 10. Gross Official Reserves

(In billions of U.S. dollars)



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

[2] "Do the Gulf Oil-Producing Countries Influence Regional Growth? The Impact of Financial and Remittance Flows," by Nadeem Ilahi and Riham Shendy, IMF Working Paper WP/08/167, 2008. Regional countries are Egypt, Jordan, Morocco, Pakistan, Sudan, Syria, Tunisia, and Yemen. The GCC is not a major trading partner of these countries.

accumulation of reserves. In some *oil-exporting countries*, a portion of oil receipts has been managed by special-purpose government funds—sovereign wealth funds (SWFs)—(e.g., Abu Dhabi Investment Authority and Qatar Investment Authority) and are not included in official reserves. SWFs have a long-term investment horizon and focus more on generating higher returns on their portfolio than central banks typically do. An International Working Group of Sovereign Wealth Funds—comprising 26 countries, and facilitated by the IMF—has reached agreement on a draft set of voluntary, generally accepted principles and practices (GAPP) that reflects the current practices of SWFs or actions to which they aspire. The GAPP is intended to guide the conduct of investment practices by SWFs and covers areas of the legal framework, governance and institutional structures, and investment policies and risk management.

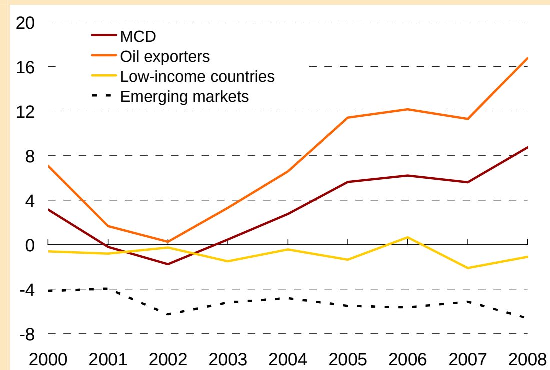
Fiscal policy is generally sound

Driven by the oil exporters, government savings are expected to increase substantially in MCD countries, with the total fiscal surplus rising from an average of 5½ percent of GDP in 2007 to 8¾ percent in 2008 (Figures 11a and 11b). Fiscal consolidation, together with the use of privatization receipts and earmarked oil revenues in some countries, and/or the repayment of arrears or external debt in others, is likely to reduce the ratio of government debt to GDP to less than 30 percent at end-2008 (Figure 12). Despite this progress, however, the level of indebtedness remains above 60 percent of GDP in Egypt, Jordan, Lebanon, and Mauritania.

- With fixed exchange rate regimes in most *oil-exporting countries*, fiscal policy has been the main demand-management tool available to contain inflation. Accordingly, some countries have aimed to contain demand pressures in 2008 by slowing the growth in current spending (Figure 13) and addressing supply bottlenecks through higher capital investment. The average saving rate of fiscal oil receipts—the ratio of overall fiscal balance to fiscal oil receipts—is estimated to increase from 42 percent in 2007 to 49 percent in 2008.[3] Nevertheless, the

Figure 11a. Government Fiscal Balance: Country Aggregates

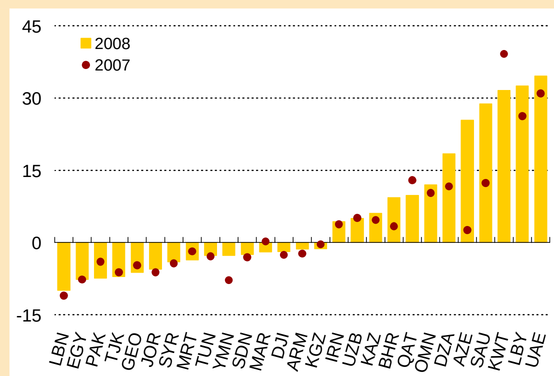
(In percent of GDP)



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

Figure 11b. Government Fiscal Balance: Individual Countries

(In percent of GDP)

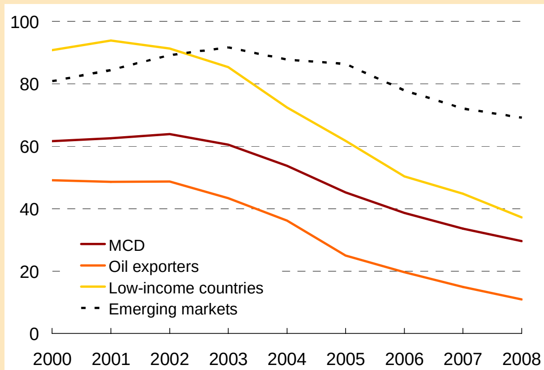


Sources: Data provided by country authorities; and IMF staff estimates and projections.

[3] The cumulative increase in the overall fiscal surplus since 2003—that is, the savings from the increase in oil revenue—expanded from 56 percent of the increase in fiscal oil receipts to more than 58 percent.

Figure 12. Total Government Debt

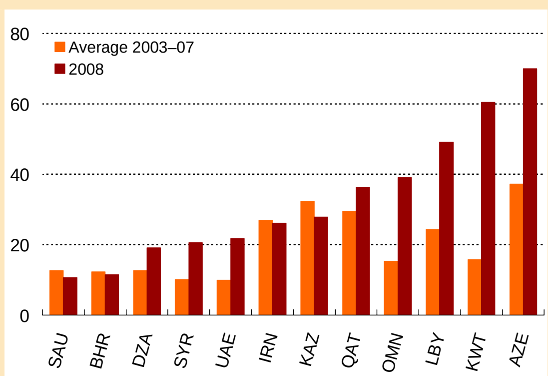
(In percent of GDP)



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

Figure 13. Nominal Growth Rate of Government Expenditure in Oil Exporters

(Annual change; in percent)



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

non-oil fiscal deficit of *oil-exporting countries* is projected to widen slightly to 37¼ percent in 2008, mainly due to a planned fiscal expansion in Iraq, with higher investment, an increase in public sector wages, and other essential current spending.

- The fiscal positions of *low-income countries* have improved markedly, despite an increase in spending in an environment of rising food and fuel prices. Strong value-added tax (VAT) performance and buoyant revenue from income and trade taxes, as well as oil and other commodity-related revenues in some countries, have helped reduce the average deficit of these countries to an estimated 1 percent of GDP in 2008.

- The budgetary impact of the policy response to higher food and fuel prices has been pronounced in *emerging market countries*, in particular in Morocco and Pakistan. The average fiscal deficit of this country grouping is likely to widen to 6½ percent of GDP in 2008, though fiscal consolidation has continued so far in Lebanon.

Monetary policy options are limited

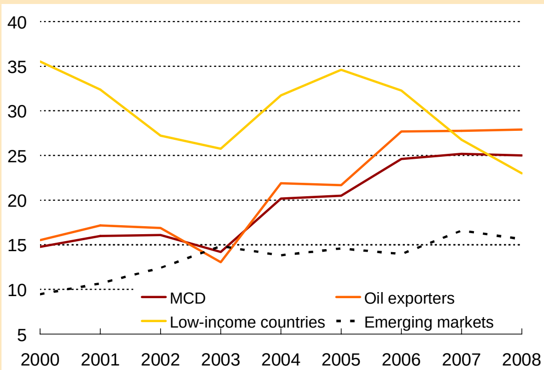
MCD countries' monetary aggregates are expected to grow strongly, suggesting a generally accommodative monetary policy stance, although there was some tightening in CCA countries, where inflation was the highest. Broad money growth is expected to continue at about 25 percent in 2008 (Figure 14), which risks further fueling inflationary pressures in some countries. This acceleration mainly reflects the difficulty in tightening monetary policy, which is constrained by the relative inflexibility of most MCD currencies vis-à-vis the U.S. dollar.

- With most *oil-exporting countries'* exchange rates pegged to the dollar, monetary policy has been generally linked to U.S. policies at a time when the discrepancy between their business cycle and that of the U.S. economy has been widening. Because of the peg, most central banks have had to lower interest rates following the monetary easing in the United States. This has contributed to spurring strong private sector demand for credit and caused real interest rates to become increasingly negative. To slow credit expansion—estimated at 25½ percent at end-2007—several central banks have increased reserve requirements and expanded open market operations to mop up liquidity.

- In *low-income countries*, money and credit to the private sector are expected to grow at a slower pace than in 2007, in response to policy tightening (Figure 15). Nevertheless, growth of monetary aggregates in these countries has been strong in recent years, reflecting remonetization and further financial deepening. Thus, this has not added to inflationary pressures. Broad money growth is expected to decline to 23 percent in 2008, and private sector credit growth to 18½ percent.

Figure 14. Broad Money Growth

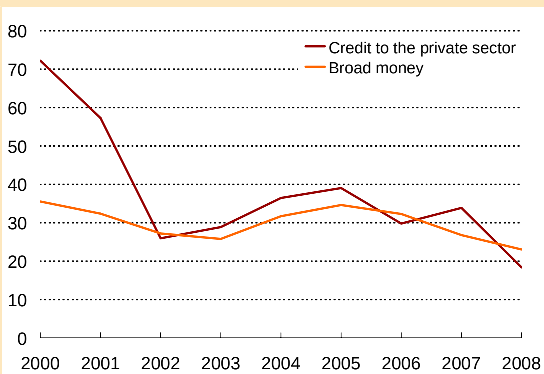
(In percent)



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

Figure 15. Money and Credit to the Private Sector in Low-Income Countries

(Annual change; in percent)



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

- Most central banks in *emerging market countries* have been in a tightening cycle and allowed interest differentials against the United States to widen with the view to reining in inflationary pressures and credit growth. Egypt, for example, has raised its policy rates by 275 basis points in 2008. As a result, growth in credit to the private sector and growth in broad money are expected to decelerate to 15½ percent in 2008 in *emerging-market countries*.

The impact of the global credit crunch on financial markets is mixed

Most equity markets in the region are down—some considerably so—from highs achieved in late 2007 and early 2008. Among the oil exporters, the GCC stock markets, in particular, have experienced sharp drops this year (Figure 16), with investor confidence affected by global developments, inflation, and concerns about real estate markets (Dubai and Saudi Arabia). In emerging markets, the picture is mixed, as some markets with strong economic fundamentals (Tunisia) have proved resilient to the global credit turmoil, while others (Egypt) have seen their equity markets fall significantly.

The global credit crunch has affected foreign and domestic fixed income instruments differently. Sovereign spreads widened in all countries in the region during the first half of 2008, except in Lebanon due to an improvement in the political situation (Figure 17). Spreads in the MCD region widened further in September 2008 in response to the renewed onset of market turmoil in the United States; in Pakistan spreads have increased over 1,000 basis points since last year due to the macroeconomic and political uncertainties.

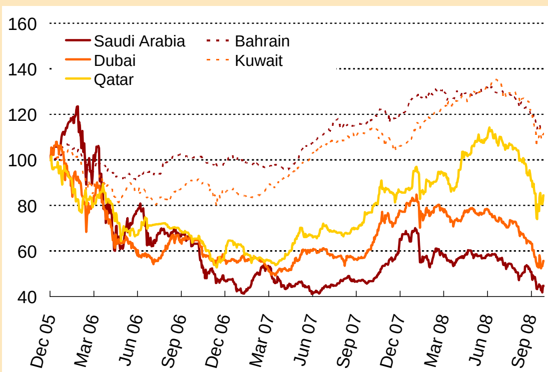
Domestic bond markets have remained relatively steady in most countries. However, in Lebanon, Treasury bill auctions have been continuously oversubscribed in light of large capital inflows, while in Egypt, interest rates on Treasury bills have jumped in 2008 partly due to the removal of the interest income exemption on Treasury bills. In Kazakhstan, spreads of credit default swaps on both the sovereign and banks have widened noticeably, as external financing has been sharply curtailed.

Banking systems remain sound

With strong economic fundamentals and little exposure to the U.S. credit markets, banking sectors in the region remain generally sound. Several countries have also emerged as important regional financial centers (Box 3).

Figure 16. Selected Stock Market Indices

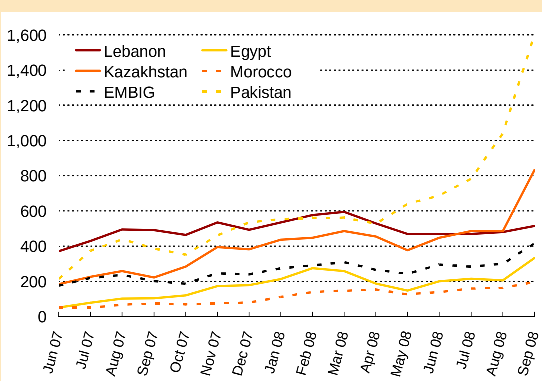
(December 31, 2005 = 100)



Source: Bloomberg.

Figure 17. Sovereign Spread in Selected Countries

(June 2007–June 2008)



Source: Bloomberg.

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

Prudential indicators continue to be strong in most countries, with capital adequacy ratios ranging from 8 percent to 29 percent (Table 3). Progress has also been made in improving banking supervision in the region. Nevertheless, the banking sector remains heavily dominated by public banks in some countries (e.g., Algeria, Egypt, Iran, Iraq, Mauritania, Syria, Turkmenistan, and Uzbekistan), slowing the development of the sector in these countries.

Contagion from the global financial turmoil was initially confined to Kazakhstan's financial sector, where the sudden stop in external financing led to a domestic credit crunch, a sharp slowdown in growth, and a subsequent deterioration in banks' asset quality. More recently, the central bank of the United Arab Emirates introduced a liquidity support facility of US$14 billion. This facility aims to address the tight liquidity conditions in the United Arab Emirates that have resulted from ongoing difficulties in global interbank markets, the unwinding of speculative positions in Gulf currencies—as a revaluation was seen as less likely owing to the renewed commitment to monetary union in 2010—and rapid growth in bank lending. Kuwait has introduced a similar facility for its banks. The rest of the region has to date been broadly unaffected by the tightened global financial conditions, mainly because of the dominance of domestic and regional investor bases, the positive economic prospects, and, in some cases, limited integration with international markets.

Box 3. GCC Financial Centers—From Regional to International Focus

The emergence of new financial centers in the GCC has created a healthy competitive environment in local and regional financial markets. Can they become truly global players?

Massive investments by national governments in financial infrastructure and huge investment opportunities in the region have helped the development of new financial centers in the GCC. Bahrain has played a leading role in the GCC countries' financial development, having established the first offshore banking center in the early 1970s. The establishment of the Dubai International Financial Center (DIFC) in 2004 and the Qatar Financial Center (QFC) in 2005 has resulted in the emergence of regional hubs.[1] The GCC financial centers have somewhat different objectives, minimizing to some extent overlaps between them. In particular, while DIFC's strategy is to serve as a gateway for the flow of capital to and from the region, QFC has been created as an integral part of the development and diversification of Qatar's economy, leading to differences in the operations of these centers (Table B3.1). The growth of these financial centers has also been spurred by sharp increases in economic activity in the region and the need for substantial financial intermediation.[2] The financial centers, which have attracted key players[3] and a highly skilled labor force, are contributing to a healthy competitive environment in local, regional, and global financial markets. Their future as modern international financial centers will likely depend on maintaining a strong and transparent regulatory framework, continuing innovation, and making improvements in human capital, business environment, and market access.

Table B3.1. Financial Centers in the GCC: A Comparison

	Central Bank of Bahrain	Dubai International Financial Center	Qatar Financial Center
Year established	1973	2004	2005
Regulator	Central Bank of Bahrain	Dubai Financial Services Authority	Qatar Financial Center Regulatory Authority
Activities permitted	Wholesale and retail banking, Islamic finance, investment banking, insurance and reinsurance	Wholesale banking, Islamic finance, investment banking, capital market services, reinsurance	Wholesale banking, Islamic finance, investment banking, insurance and reinsurance
Permitted currencies	No restrictions	Cannot accept deposits in United Arab Emirates Dhiram	No restrictions
Location	Anywhere in Bahrain	Within designated jurisdiction	Anywhere in Qatar
Employment restrictions	Bahrainization applies	Emiritization does not apply	Qatarization does not apply
Ownership	100 percent foreign ownership permitted	100 percent foreign ownership permitted	100 percent foreign ownership permitted
Tax regime	No corporate tax for banks	50-year tax holiday	Up to 10 percent tax on profits from May 1, 2008. Tax exemptions for reinsurance

[1] Saudi Arabia, with the largest share of Islamic assets in the GCC and the second largest in the world, has begun constructing a major financial center (the King Abdullah Financial Center).

[2] GDP in the GCC has more than doubled since 2003 to an estimated US$1 trillion in 2008. And about US$1 trillion is expected to be invested in the GCC countries over the next five years.

[3] A recent McKinsey global asset management survey indicates that 75 percent of the top 30 global asset managers are active in the GCC. (Mahmet Darendeli, Ralph Heidrich, and Raman Thiagarajan, "Building the Wholesale-banking Market in the Gulf States," *The McKinsey Quarterly*, June 2007).

Box 3 *(concluded)*

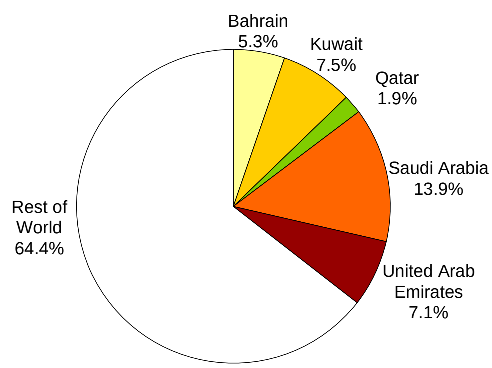
The financial centers are becoming increasingly important globally. More than 400 financial institutions operate in Bahrain compared to 170 in 2001, 149 of which are banks with total assets of around US$190 billion. DIFC has registered over 320 companies, of which about half are in financial and ancillary services. Dubai International Financial Exchange (DIFX), with a market capitalization of $40 billion,[4] is an international stock exchange located in the DIFC and regulated by the Dubai Financial Services Authority.[5] The Qatar Financial Center Authority has licensed 78 companies (about two-thirds of which are in financial services). In March 2008, the Global Financial Centers Index (GFCI), which ranks financial centers based on external benchmarking data and current perceptions of competitiveness, ranked DIFC, Bahrain, and QFC at 24, 39, and 47, respectively, out of 66 centers, highlighting their emerging roles as global financial centers (Table B3.2). The ability of the three centers to continue growing in importance will depend on improving competitiveness, in particular in financial infrastructure.

Table B3.2. Top 10 Financial Centers

Financial Center	Rank
London	1
New York	2
Hong Kong	3
Singapore	4
Zurich	5
Frankfurt	6
Geneva	7
Chicago	8
Tokyo	9
Sydney	10
Dubai	24
Bahrain	39
Qatar	47

Source: City of London Corporation, Global Financial Centers Index 3.

Figure B3.1. Geographical Distribution of Reported Sharia-Compliant Assets (US$500 billion), 2007



Source: *The Banker*, November 2007.

The financial centers could foster a vibrant market for Islamic products. In 2007, the GCC region held 36 percent of global sharia assets, which are estimated at US$500 billion (Figure B3.1).[6] DIFC has already established a strong presence in this market with about US$16 billion listed in the DIFX (through mid-2007). Bahrain has played a pioneering role in Islamic banking, being the first country to develop and issue Sukuk (Islamic bonds), and has implemented a regulatory framework for Islamic banks and Islamic insurance and reinsurance. The Central Bank of Bahrain is now set to launch the Islamic Sukuk Liquidity Instrument, which will enable financial institutions—both conventional and Islamic—to access short-term liquidity against Government of Bahrain Islamic leasing (Ijara) bonds (Sukuk). By developing standardized, sophisticated, and liquid Islamic products, the GCC countries could establish a global competitive advantage in this field. ■

[4] DIFX is made up mainly of equities and structured products (US$8 billion each), Sukuk (Islamic bonds; US$16 billion), and conventional bonds (US$7 billion).

[5] DIFX provides a dollar-denominated trading platform for international issuers to raise capital and debt through conventional and Islamic instruments.

[6] "Top 500 Islamic Institutions," *The Banker,* November 2007.

Table 3. Capital Adequacy Ratio in MCD Countries

(Regulatory Capital to Risk-Weighted Assets – Basel I Definition; in percent)

	CAR	Date		CAR	Date
Afghanistan	12.0	Mar-08	Libya	15.6	Dec-07
Algeria	15.0	Dec-06	Mauritania	22.4	Dec-04
Armenia	26.0	Jun-08	Morocco	11.9	Dec-07
Azerbaijan	18.5	Jun-08	Oman	12.2	Sep-07
Bahrain	24.0	Jun-08	Pakistan	14.2	Sep-07
Djibouti	8.1	Dec-07	Qatar	14.0	Dec-07
Egypt	15.1	Dec-06	Saudi Arabia	20.6	Dec-07
Georgia	15.7	Jun-08	Sudan	22.0	Dec-07
Iran	...	...	Syria	...	...
Iraq	...	...	Tajikistan	22.2	Jun-08
Jordan	20.8	Dec-07	Tunisia	11.0	Dec-07
Kazakhstan	15.0	Jul-08	Turkmenistan	16.0	Dec-07
Kuwait	20.4	Sep-07	United Arab Emirates	13.3	Jun-08
Kyrgyz Republic	28.8	Jun-08	Uzbekistan	23.8	Dec-07
Lebanon	22.0	Dec-07	Yemen	12.0	Dec-06

Sources: Country authorities; and IMF staff estimates.

World Economic Developments and Outlook

The global economy is cooling rapidly

The slowdown in global growth, which started last summer in the wake of the financial turmoil emanating from the subprime market in the United States, has deepened further in 2008. Global growth softened from 5 percent in 2007 to 3¾ percent in the second quarter (annualized) of 2008, and many advanced economies are now close to—or in—recession. While remaining on a faster track, growth in emerging and developing countries has also eased in the first half of 2008 due to slowing external demand and moderating domestic demand. However, commodity exporters have benefited from high food and fuel prices.

The credit crunch has deepened

Financial market conditions have worsened considerably, and entered a tumultuous new phase in September. Authorities in developed economies have taken extraordinary measures aimed at stabilizing markets, although these have not entirely reassured markets, and the situation remains highly uncertain. Banks have been gradually repairing their balance sheets but face additional losses from weakening credit performance in the context of slowing economies. Moreover, inflation risks—while receding globally—remain present in some countries, reducing the flexibility for policymakers to ease financial stress. Financial conditions are likely to remain very difficult, and with slowing economies and a deleveraging process that is likely to be long and arduous, the pace of credit creation is expected to be slow.

Soaring commodity and food prices have boosted inflationary pressure

High oil and food prices, together with financial factors, have created inflationary pressure. Oil prices reached a record high of US$147 a barrel in July 2008, although they have since retreated sharply. Food prices were boosted by poor weather conditions, by continued strong growth in demand, including from the use of biofuels, and by restrictive trade policies. Financial factors, notably U.S. dollar depreciation (through July 2008) and low real interest rates, have also played a role in short-term price dynamics. Accordingly, inflationary pressures have continued to build up. This has particularly been the case for emerging and developing economies, with headline inflation in these countries reaching 8½ percent in August 2008 and core inflation also rising amidst signs of increasing inflation expectations and wage increases. Although commodity prices are softening, and the dollar has recovered from earlier lows, inflation is not expected to fall significantly in the short term because of the continuing pass-through of past commodity price increases—even at current levels, oil prices remain above their 2007 average of US$71 a barrel. In advanced economies, inflation rose to 4¼ percent through August 2008, while core inflation remained contained.

Oil and commodity prices will likely remain high

Looking forward, commodity prices are expected to stay relatively high. Although world oil prices have recently fallen below US$100 a barrel, the price of oil is nevertheless projected to average US$107¼ a barrel in 2008 and US$102½ in 2009–13. In the food markets, rising biofuels production and sustained strong demand from emerging and developing markets are expected to continue to exert upward pressure on some prices in 2008. In the medium term, however, food prices should ease substantially, as supply responds to current world prices and policies aimed at boosting production.

Global growth will slow significantly in the second half of 2008

Economic activity in the world is expected to continue slowing through end-2008, before very gradually recovering during the course of 2009. Global growth is projected to moderate to 3.9 percent in 2008 and 3 percent in 2009 (Figure 18). This outlook is based on the assumption that credit conditions and financial markets will remain under substantial stress through 2008 and much of 2009, with growth slowly turning up in 2009 due to stabilized commodity prices and rising confidence that the financial problems of financial institutions are being resolved. Advanced economies are expected to expand by 1½ percent and ½ percent in 2008 and 2009, respectively. Growth in emerging markets and developing countries is projected to continue to slow to 7 percent in 2008 and 6 percent in 2009, reflecting slower global demand as well as efforts to prevent overheating in some countries.

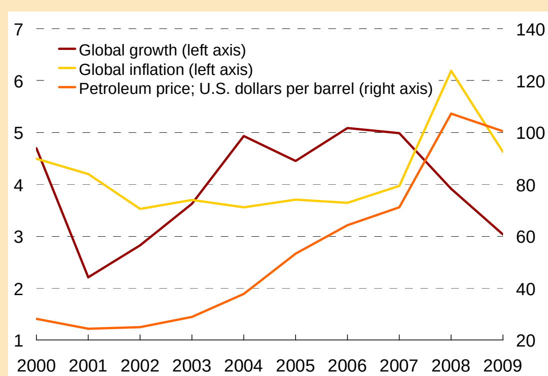
Inflation is expected to fall gradually, as commodity prices stabilize and food prices start to ease. With economic growth slowing across the world, including in China, and demand for raw materials easing, oil and food prices are expected to stabilize from the second half of 2008, following the downward corrections from the very high levels in the summer. Accordingly, inflation in advanced economies is expected to decline below 2 percent by end-2009. In emerging and developing economies, inflation is projected to continue to rise in 2008 as earlier commodity price increases feed through the pipeline, before easing somewhat in 2009.

Risks to the outlook are to the downside

In this exceptionally uncertain situation, there are substantial downside risks to the baseline outlook. The principal downside risk is tied to two related concerns: that financial stress could continue at very high levels, and that credit constraints from deleveraging could be deeper and more protracted than envisaged, implying a

Figure 18. Global Outlook

(In percent; unless otherwise indicated)



Source: IMF, *World Economic Outlook.*

full-blown "credit crunch." In addition, the U.S. housing market deterioration could be deeper and more prolonged than forecast, while European housing markets could weaken more broadly. Inflation risks to growth are, however, now more balanced because commodity prices have retreated in response to slowing global growth. At the same time, potential disruptions to capital flows and the risks of rising protectionism represent additional risks to the recovery.

MCD Region Economic Outlook

Growth prospects are favorable

The short-term outlook remains generally favorable for the MCD region, despite the ongoing financial turmoil in developed financial markets. Real GDP is projected to grow at 6½ percent in 2008, before slowing somewhat to 6 percent in 2009.

- With oil prices remaining relatively high and a pick-up in oil production compensating for a moderate slowdown in the non-oil activity, *oil-exporting countries* are expected to continue to expand in 2008 at about the same rate as in 2007. Large investment programs as well as strong private consumption would sustain this growth momentum. Growth is expected to decelerate to 6 percent in 2009, in the wake of the global slowdown and lower oil prices.

- Growth in *low-income countries* is projected to slow somewhat in 2008 before rebounding in 2009 as the recent spike in food prices comes to an end. Djibouti's growth is projected to continue to accelerate, driven mainly by large FDI-financed investment, and Yemen's growth is expected to rise significantly in 2009 with the beginning of operation of a large liquefied natural gas project. In contrast, the recent conflict in Georgia is likely to result in a sharp contraction of economic activity during the remainder of 2008 (Box 4).

- Growth is expected to remain strong throughout the year in *emerging market countries* before easing in 2009 as some effects from the global economic slowdown take hold. However, on account of strong foreign direct investment, and a modest rebound in the energy sector, growth in Tunisia is projected to pick up in 2009, while activity in Pakistan will depend critically on the policy response to the growing macroeconomic imbalances (Box 5).

Inflation should ease

Inflation in the region is projected to rise to 15 percent in 2008, before easing to 13½ percent in 2009. In several countries, inflationary pressures are likely to gradually wane after the end of Ramadan in response to tighter macroeconomic policies. In other countries, inflation will fall as world food prices drop. In particular, the fall is expected to be the largest in low-income countries, where food constitutes a dominant share of the consumption basket. The completion of new housing units in Kuwait, Qatar, and the United Arab Emirates is likely to help alleviate the

Box 4. Georgia—Program to Deal with the Consequences of the Conflict

In mid-September—one month after the cease-fire following the recent armed conflict—the IMF Executive Board approved an 18-month, US$750 million Stand-By Arrangement in support of the government's policies to help bolster investor confidence and catalyze donors' support. The program aims at protecting international reserves by strengthening fiscal discipline while refocusing priorities on reconstruction spending, adjusting the monetary stance, and ensuring that plans to mitigate potential banking system vulnerabilities are in place.

Georgia's near-term prospects were hit by the August 2008 armed conflict, but the economy is well prepared to recover from the shock. The impressive record of reforms in recent years has enhanced the resilience of the economy and allowed for strong private sector–led growth. Given the expected temporary nature of the shock, the overall direction of macroeconomic policies will be maintained. However, short-term policies will be adjusted to deal with the immediate macroeconomic challenges, which are likely to result in lower credit expansion and slower-than-anticipated GDP growth in 2008–10.

The authorities' actions to address the consequences of the conflict were appropriate. Some signs of erosion of confidence emerged soon after the outbreak of the conflict. Banks lost about 13 percent of their deposit base, gross international reserves declined by 25 percent, and Georgia's sovereign bond spreads increased by 240 basis points. The authorities focused on avoiding liquidity disruptions and calming the markets by temporarily pegging the exchange rate to avert undue volatility. Their efforts are bearing fruit, and the situation has largely stabilized.

The government also focused on securing financing to bolster investor confidence and address relief and reconstruction needs. The Stand-By Arrangement is intended to mitigate the impact of the shock on the balance of payments by replenishing international reserves (US$250 million was ready for disbursement after approval of the program). Following the announcement of the program, bilateral and multilateral donors and creditors pledged to support the reconstruction effort by providing grants and concessional loans.

The program centers on limiting the deterioration in the external accounts by containing the fiscal deficit, maintaining a cautious monetary stance, and further strengthening the financial sector.

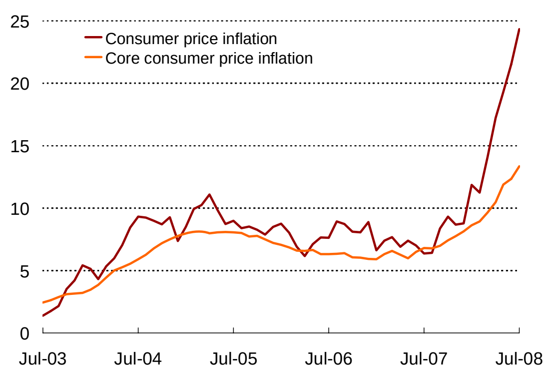
- Large cuts in unproductive spending will reduce the fiscal deficit from 6 percent of GDP in 2008 to 3¾ percent in 2009, while donor-financed expenditures of 2–3 percent of GDP per year will assist in the reconstruction efforts.
- Monetary policy will aim at protecting international reserves while reducing short-term volatility in the exchange rate. The central bank will continue taking steps to improve the lender-of-last-resort facility and the overall liquidity framework.
- To address concerns on banking liquidity and asset quality, the program envisages actions to build up the capacity of the Financial Supervision Agency, strengthen its independence, and enhance its cooperation with the central bank. ■

Box 5. Pakistan—Dealing with Rising Vulnerabilities

Pakistan's macroeconomic situation has deteriorated significantly owing to political and security developments, large exogenous price shocks (oil and food), and inadequate policy response. Real GDP growth slowed to 5.8 percent in 2007/08 (the fiscal year ends June 30), from 7 percent in 2006/07. Twelve-month headline consumer price inflation rose to about 25 percent in July 2008 owing to strong domestic demand growth, rising fuel and food import prices, and a rupee depreciation of more than 20 percent since end-March 2008 (Figure B5.1).

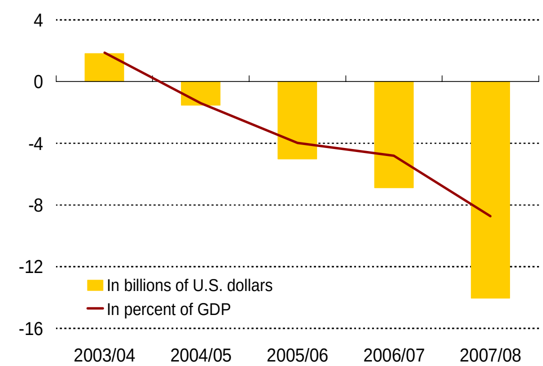
Figure B5.1. Consumer Price Inflation, July 2003–July 2008

(Year-on-year change; in percent)



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

Figure B5.2. Current Account Balance

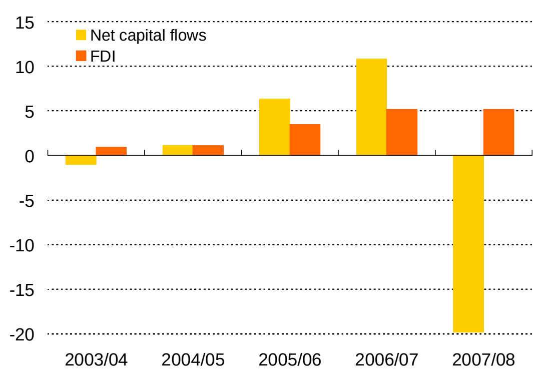


Sources: Data provided by country authorities; and IMF staff estimates.

The current account deficit widened to 8½ percent of GDP in 2007/08 (Figure B5.2). The growth of exports and remittances recovered, but imports grew by more than 30 percent. With capital inflows slowing (Figure B5.3), gross international reserves fell from US$14.3 billion at end-June 2007 to US$4.7 billion (1.3 months of imports and about 80 percent of foreign currency deposits and short-term external liabilities) as of September 26, 2008.

Figure B5.3. Capital Flows

(In billions of U.S. dollars)



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

The fiscal deficit is estimated to have risen to 7.7 percent of GDP in 2007/08, from 3.7 percent in 2006/07, mainly because of a substantial increase in energy and food subsidies and interest payments. Despite adjustments by the State Bank of Pakistan during the last year, real interest rates remain negative.

Financial market indicators have deteriorated. The EMBIG[1] spread of Pakistani sovereign bonds has risen to above 1,000 basis points, and the Karachi KSE-100 stock index has dropped 35 percent in 2008. ■

[1] Emerging Market Bond Index Global (JPMorgan).

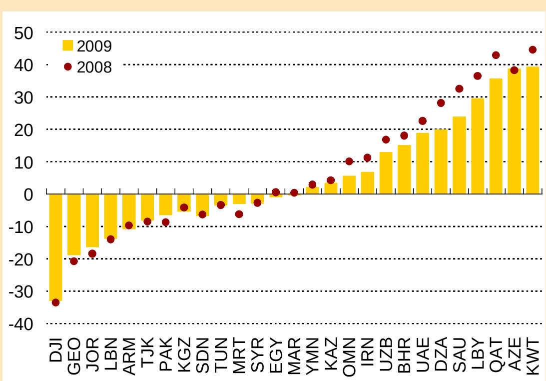
supply constraints that have fueled inflation in the GCC, but inflation is expected to remain in double digits in 2009. Despite the small share of petroleum in consumption relative to food, the remaining pass-through of world prices to domestic prices will continue to add pressure to headline inflation in a number of countries.

External positions will weaken slightly

The external current account surplus of the region is expected to decline somewhat in 2009 to 14½ percent of GDP, reflecting the slight decline in oil price projections (Figure 19). With unchanged spending policies, *oil-exporting countries* should register a surplus of 19½ percent of GDP in 2009 (Box 6). For 2003–09, their cumulative surplus is projected to reach US$2 trillion. The external position of most *low-income countries* is projected to improve in 2008–09, mainly reflecting stronger export performance (including commodity exports) in several countries. In contrast, *emerging market countries* are likely to see a widening of their current account deficits, reflecting mainly the negative impact of a further deterioration in their terms of trade. With strong current account surpluses and balanced capital accounts, official reserves are projected to increase in all country groupings.

Figure 19. Current Account Balance

(In percent of GDP)



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

Fiscal positions will remain comfortable

The region's fiscal savings are expected to rise further, driven by large surpluses in *oil-exporting countries*. Spending policies in these countries are likely to be constrained in 2008–09 by the need to contain demand pressures. Nevertheless, investment in oil, gas, and infrastructure is likely to continue. *Low-income countries* are generally expected to maintain prudent fiscal policies throughout 2008–09, despite higher spending related to food and fuel prices. Some of these expenditure increases (such as on wages) will be permanent, while others will likely disappear once food prices return back to trend. By contrast, the fiscal deficit in *emerging market countries* is expected to deteriorate slightly in 2008, mainly because of the higher food subsidies in Morocco and Pakistan. Nevertheless, this impact is likely to be transitory, and the deficit position of this country grouping is expected to narrow in 2009 as fiscal policy adjusts.

Risks to the outlook are moderately to the downside

In the event of a sharper and more protracted slowdown in advanced economies than currently envisaged, economic growth in the MCD region could be lower. Upside risks to growth could be due to FDI-financed large-scale projects in several countries. Also, continued surpluses in *oil-producing countries*, combined with concerns about asset quality in advanced economies, may translate into increased capital flows from oil-exporting to other countries in the region.

Inflation could turn out higher than forecast, if international food and fuel prices surged once again, or if macroeconomic policy is not sufficiently tight. In particular, second-round effects—driven by wage increases in a number of countries—could take hold if policies do not adjust appropriately. Adjusting policies may be difficult in countries whose exchange rates are heavily managed vis-à-vis the U.S. dollar, as

Box 6. The Region's Oil Income Outlook

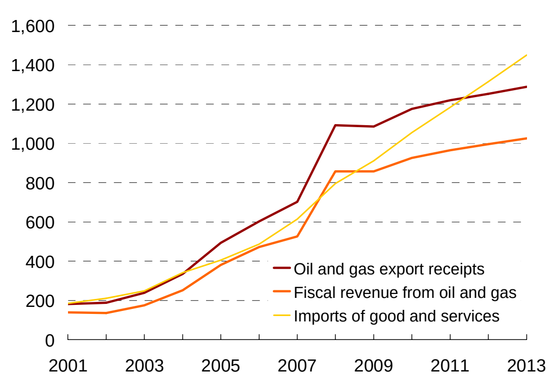
The hike in oil prices since 2002 has translated into massive income and wealth gains for MCD oil-exporting countries, paving the way for much-needed infrastructure upgrading and social spending. With oil prices rising sharply further over the past year and expected to stay high, the region's income looks set to remain strong.

MCD countries' oil and gas exports will amount to an estimated US$1.1 trillion this year (Figure B6.1), up from US$700 billion in 2007. This is almost entirely due to high world oil prices, which—even after the recent correction—are expected to average about US$107¼ a barrel in 2008, sharply higher than the US$71 a barrel in 2007. As of late September 2008, futures markets were expecting oil prices to average US$102½ a barrel during 2009–13. Based on this oil price assumption, the value of the region's oil and gas exports could amount to US$7 trillion over 2008–13 on a cumulative basis, compared with the already massive total of US$2.4 trillion during 2003–07. The region's fiscal revenue from oil and gas is projected at US$5.6 trillion cumulatively over 2008–13, versus US$1.8 trillion during 2003–07.

Although higher oil prices have widened external and fiscal surpluses, the acceleration in spending has resulted in a substantial rise in the region's imports. Imports of goods and services averaged over US$400 billion a year during 2003–07, more than twice the annual level of 2001–02. And during 2008–13, the region's imports are projected to average over US$1 trillion a year, or US$6.7 trillion cumulatively, representing almost 5 percent of world imports (Figure B6.2).

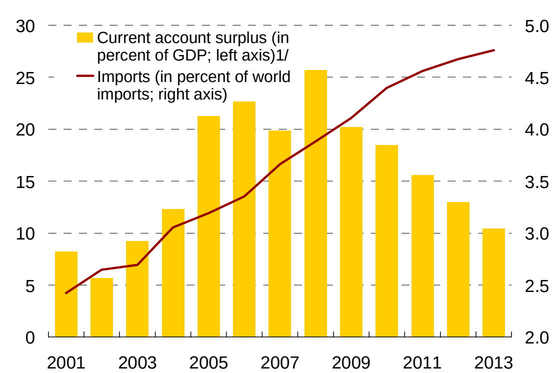
Even with the rise in imports, the region's continued saving of part of its oil and gas income will result in a further buildup of assets. The accumulation of external assets during 2008–13, which is the counterpart to the region's projected cumulative current account surplus over the period, is expected to amount to US$2.8 trillion. This will be on top of the estimated US$1 trillion buildup during 2003–07. Many of these assets are in sovereign wealth funds, which have become increasingly important vehicles for helping countries manage the intergenerational transfer of proceeds from the sale of nonrenewable resources. Thus, the medium-term outlook for the region is enviable—continued economic transformation through large-scale spending on investment while, at the same time, setting aside major resources for future generations. ■

Figure B6.1. Oil Income and Imports
(In billions of U.S. dollars)



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

Figure B6.2. Current Account and Oil Income Spending



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

1/ Excludes Iraq.

raising interest rates would encourage more capital inflows, which would fuel further inflationary pressures. A drop in commodity prices from current levels would clearly lessen inflationary pressures in the region, as would a further recovery of the U.S. dollar for those countries that peg to the U.S. dollar. Under these circumstances, current account and fiscal surpluses in the *oil-exporting countries* would decline, although they would remain significantly positive in most countries. The average break-even oil price for the fiscal accounts (i.e., the price at which a country would achieve a fiscal balance) is US$57 per barrel in 2008, demonstrating that most oil exporters can easily absorb lower world oil prices (Table 4). Exceptions include Iraq, which is expected to run a small fiscal deficit with the current oil price levels, and Iran, where the fiscal position may turn into a deficit if oil prices dip below US$90 per barrel. Most *emerging market* and *low-income countries* would see external and fiscal balances improve as fuel and food imports fell, and the weight of subsidies declined. The beneficial effects of lower commodity prices for these countries would be lessened to the extent that a more drastic fall in commodity prices was associated with a deeper downturn in the world economy.

Direct exposure of the MCD region to troubled financial institutions and credit markets in developed countries is limited. MCD financial institutions are therefore unlikely to suffer greatly should financial conditions in developed country markets deteriorate further. However, a few countries are at risk from external contagion, and warrant close attention, as do those facing tight liquidity conditions. Also, the banking and financial sectors in some MCD countries may be at risk from exposure to regional real estate markets. Finally, property prices in the region have been very strong in recent years, and could be vulnerable to a correction, impacting bank portfolios and overall GDP growth.

Table 4. Selected Oil Exporters' Break-Even Prices for 2008 Fiscal Accounts

(In U.S. dollars/barrel)

Algeria	56	Kuwait	33
Azerbaijan	40	Bahrain	75
Iran[1]	90	Oman	77
Iraq	111	Qatar	24
Kazakhstan	59	Saudi Arabia	49
Libya	47	United Arab Emirates	23
Average MCD	57	Average GCC	47

Source: IMF staff estimates and projections.

[1] Fiscal year 2008/2009.

Policy Issues

The MCD region faces the twin challenge of managing continued inflation pressures while addressing the growing downside risks from the global credit crisis. Many central banks have already raised policy interest rates in response to rising inflation. However, policy responses so far have been modest and interest rates generally remain negative in real terms, particularly in countries where the exchange rate is heavily managed vis-à-vis the U.S. dollar, suggesting some tightening of policies would be appropriate. At the same time, policymakers in the region should stay alert to downside risks from the slowdown in advanced economies and the increased stress on financial markets.

Control inflation

To contain inflation pressures, countries should implement policies appropriate to their particular circumstances, but which would generally include tighter monetary and fiscal policies in many countries and greater exchange rate flexibility.

- In countries where growth is above trend and the exchange rate regime is flexible (e.g., most CCA countries), further tightening of the monetary policy stance should be considered if inflation persists, while some nominal appreciation of the currency would provide useful support for monetary tightening. In some countries where the financial sector is less developed and monetary transmission mechanisms are weak, monetary tightening could be achieved through raising reserve requirements.

- Countries whose exchange rates are pegged to or heavily managed vis-à-vis the U.S. dollar should adopt fiscal restraint. Raising reserve requirements is an option, but raising interest rates in these countries would encourage larger capital inflows, further complicating monetary management. Fiscal policy should balance the need to contain inflationary pressures with that of investing in critical infrastructure. Such policies would be particularly relevant in Egypt, the GCC, and other oil-exporting countries.

- Countries with widening external imbalances underpinned by capital inflows (e.g., Jordan and Lebanon) should follow a mix of tight policies to reduce external vulnerability. Fiscal consolidation should continue, though mainly through expenditure restraint and reductions in explicit and implicit subsidies, though some emerging market countries may need to consider revenue measures, as well.

In all countries, it will be important to prevent inflation expectations from becoming entrenched. A number of countries have raised wages in 2007–08, and this semblance of a wage-price spiral may have already affected inflationary expectations. In the period ahead, policymakers should particularly resist political pressures for higher wages and subsidies, which could be detrimental to macroeconomic stability.

Strengthen the financial sector's resilience to the global turmoil

The region's financial sector needs to become more resilient and flexible to reduce effects from the global credit crisis. In particular:

- Continued efforts are needed to strengthen banking systems. Rapid credit expansion has not only added to inflationary pressures, but has also led to a higher level of nonperforming loans in some countries. If these issues are not addressed, banks may experience liquidity difficulties, and in some cases, impaired solvency. Already, banks in some countries are experiencing liquidity strains, which will require close attention from the authorities. In this context, countries—notably in the GCC—should coordinate their policy response in order to limit cross-border effects from individual country actions.

- Similarly, prudential regulation should be tightened to promote appropriate lending standards and reduce loan concentration. Banking supervision should be strengthened to ensure appropriate loan classification and adequate provisioning, and improve banks' capacity to assess risk. The supervisory authorities should conduct regular stress-testing and encourage banks to do the same to help identify risks and manage them appropriately. Inefficient state banks, which continue to dominate the banking sector in several MCD countries, should be restructured and privatized.

- Policymakers should also closely monitor developments in real estate prices and assess vulnerabilities of the financial system to property market corrections. The rapid rise in real estate prices in some countries risks becoming a bubble fueled by credit expansion. If such a bubble deflated, there could be serious repercussions for the financial sector, leading to a slowdown in economic activity. The appropriate policy response to strong growth in real estate prices would need to include strengthened prudential measures for financial institutions and measures to bolster lending standards.

Reassess exchange rate policies

The depreciation of the U.S. dollar and the acceleration in commodity prices through the first half of 2008 have raised questions about the appropriateness of exchange rate pegs for several countries pegged to the U.S. dollar, and notably for commodity exporters. The improvement in these commodity exporters' terms of trade has implied a rise in their "equilibrium" real exchange rates—an increase in the price of domestic goods and services ("nontradable" goods) relative to tradable goods. But for countries linked to the U.S. dollar, adjustment toward this higher equilibrium could only be effected through higher overall inflation. The burden of containing inflation has therefore rested on fiscal policy, forcing governments to restrain expenditure even though they could afford to spend and there has been a need to invest in infrastructure.

An exchange rate revaluation might have helped prevent this problem by lowering imported inflation. However, for some of these commodity exporters, notably the GCC, a revaluation would also involve some disadvantages, the most important of these being the risk of disrupting progress toward the GCC monetary union planned for 2010. Valuation losses on official overseas assets would also be incurred. The recent correction to commodity prices and the recovery in the U.S. dollar have, for the moment, weakened the case for revaluation. But if the currency and commodity price trends seen through the summer of 2008 were to resume, or if inflation were to accelerate, then the case for maintaining the exchange rate pegs would need to be carefully reassessed. Countries with flexible exchange rate regimes should allow their currencies to respond more fully to market movements by reducing central bank intervention.

Consolidate public finances by phasing out subsidies

With oil prices likely to remain high for the foreseeable future, MCD countries should move gradually toward market-based pricing of petroleum and food products, combined with targeted measures to help the poor. Reducing subsidies would not only allow demand to respond to changes in prices, but would also improve the efficiency of resource allocation and improve equity, while supporting fiscal sustainability. Studies find that fuel subsidies tend to be inefficient as a means of poverty alleviation as they are poorly targeted, with benefits accruing primarily to higher-income households. Therefore, well-targeted safety nets would be a more effective policy instrument to protect the most vulnerable from rising inflation, while ensuring a sustainable fiscal position.

Continue investment in oil, expand investment in non-oil

In *oil-exporting countries*, reforms are needed to foster greater investment in oil. These include efforts to ensure that investment regimes are stable and predictable, and that they facilitate the establishment of an orderly, predictable, and transparent market through improved data dissemination on demand and supply conditions. In parallel, these countries should implement structural reforms that contribute to building competitive non-oil sectors. Such a task is particularly urgent in countries facing imminent declines in oil production (e.g., Oman, Syria, and Yemen) and those that are vulnerable to fluctuating commodity prices with a limited cushion to absorb shocks.

Consolidate macroeconomic improvements

Over the medium term, domestic policies in MCD countries should aim at consolidating the gains in growth and financial balances that have been achieved in recent years. The macroeconomic performance of the past few years provides an opportunity to address the long-standing problems of unemployment and poverty in the region. To attain these objectives, governments will need to improve the investment climate and lower the cost of doing business, reduce the size of the state in the economy, improve labor market flexibility, and reform the educational system to reduce the "skills gap" in most MCD countries. These reforms should help to improve standards of living through a steady rise in per capita income and a continued reduction in unemployment.

Statistical Appendix

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

The following statistical appendix tables contain data for 30 of the MCD countries. Somalia and the West Bank and Gaza are not included because of limited data availability. Afghanistan, Iraq, and Turkmenistan are included in the tables, but excluded from the country grouping averages in all the tables except Tables 2, 3, 5, 14–16, and 19. Data revisions reflect changes in methodology and/or revisions provided by country authorities.

The data relate to the calendar year, with the following exceptions: (1) for Qatar, fiscal data are on a fiscal year (April/March) basis; and (2) for Afghanistan, Egypt, Iran, and Pakistan, all macroeconomic accounts data are on a fiscal year basis. For Egypt and Pakistan, the data for each year (e.g., 2004) refer to the fiscal year (July/June) ending in June of that year (e.g., June 2004). For Afghanistan and Iran, data for each year refer to the fiscal year (March 21/March 20) starting in March of that year. Data in Table 6 relate to the calendar year for all countries.

In Tables 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 and exchange rates (Tables 7 and 18) 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, 4, 6, and 8–13), 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 20) are sums of individual country data after conversion to U.S. dollars at the average market exchange rates in the years indicated for balance of payments data and at end-of-year market exchange rates for debt denominated in U.S. dollars.

Tables 2, 3, 5, 14–16, and 19 are sums of the individual country data.

Table 1. Real GDP Growth

(Annual change; in percent)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**5.3**	**6.2**	**6.2**	**6.5**	**6.5**	**6.4**	**5.9**
Oil exporters	**5.8**	**6.4**	**6.6**	**6.3**	**6.4**	**6.4**	**6.1**
Algeria	4.3	5.2	5.1	2.0	4.6	4.9	4.5
Azerbaijan	8.3	10.4	24.3	30.5	23.4	16.0	16.4
Bahrain	5.6	5.6	7.9	6.5	6.0	6.3	6.0
Iran	5.7	5.1	4.7	5.8	6.4	5.5	5.0
Iraq	...	46.5	-0.7	6.2	1.5	9.0	7.3
Kazakhstan	10.4	9.6	9.7	10.7	8.9	4.5	5.3
Kuwait	13.4	10.7	11.4	6.3	4.6	5.9	5.8
Libya	3.1	4.4	10.3	6.7	6.8	7.1	8.1
Oman	4.6	5.3	6.0	6.8	6.4	7.4	6.0
Qatar	8.9	17.7	9.2	15.0	15.9	16.8	21.4
Saudi Arabia	3.7	5.3	5.6	3.0	3.5	5.9	4.3
Syria	3.1	2.8	3.3	4.4	3.9	4.2	5.2
Turkmenistan	17.3	14.7	13.0	11.4	11.6	10.8	10.3
United Arab Emirates	7.7	9.7	8.2	9.4	7.4	7.0	6.0
Low-income countries	**5.7**	**6.2**	**6.7**	**8.1**	**8.6**	**6.9**	**7.4**
Afghanistan	12.0	8.8	16.1	8.2	11.5	7.5	8.3
Armenia	10.7	10.5	14.0	13.3	13.8	10.0	8.0
Djibouti	2.3	3.0	3.2	4.8	5.3	5.9	6.9
Georgia	5.8	5.9	9.6	9.4	12.4	3.5	4.0
Kyrgyz Republic	4.9	7.0	-0.2	3.1	8.2	7.5	6.7
Mauritania	3.3	5.2	5.4	11.4	1.0	5.0	6.8
Sudan	6.4	5.1	6.3	11.3	10.2	8.5	7.7
Tajikistan	9.7	10.6	6.7	7.0	7.8	6.0	7.0
Uzbekistan	4.8	7.7	7.0	7.3	9.5	8.0	7.5
Yemen	4.3	4.0	5.6	3.2	3.3	3.5	8.1
Emerging markets	**4.3**	**5.8**	**5.4**	**6.6**	**6.1**	**6.4**	**4.9**
Egypt	3.9	4.1	4.5	6.8	7.1	7.2	6.0
Jordan	5.6	8.6	7.1	6.3	6.0	5.5	5.2
Lebanon	4.2	7.5	1.1	0.0	4.0	6.0	5.0
Morocco	4.8	4.8	3.0	7.8	2.7	6.5	5.5
Pakistan	4.3	7.4	7.7	6.9	6.4	5.8	3.5
Tunisia	4.6	6.0	4.0	5.5	6.3	5.5	5.0
Memorandum							
CCA	**8.4**	**9.1**	**11.0**	**13.1**	**12.0**	**7.7**	**8.2**
MENA	**5.2**	**5.7**	**5.5**	**5.7**	**5.8**	**6.3**	**5.9**
Of which							
GCC	**5.9**	**7.5**	**7.0**	**5.6**	**5.5**	**7.1**	**6.6**
Maghreb	**4.3**	**5.1**	**5.2**	**4.8**	**4.7**	**5.7**	**5.4**

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

Table 2. Nominal GDP

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**990.9**	**1,244.5**	**1,508.3**	**1,800.3**	**2,122.3**	**2,833.0**	**3,136.0**
Oil exporters	**673.9**	**881.5**	**1,102.6**	**1,329.0**	**1,569.4**	**2,165.5**	**2,369.4**
Algeria	63.8	85.1	102.7	116.8	134.3	171.3	171.1
Azerbaijan	6.6	8.7	13.2	20.9	31.2	53.3	68.0
Bahrain	9.1	11.2	13.5	15.8	17.4	19.7	20.4
Iran	124.7	161.3	188.0	222.1	285.3	382.3	442.6
Iraq	...	25.8	31.4	49.5	62.4	91.6	96.8
Kazakhstan	27.8	43.0	57.4	80.3	105.9	141.2	157.3
Kuwait	43.6	59.4	80.8	98.7	111.5	159.7	163.2
Libya	30.8	33.3	45.5	55.1	69.9	108.5	112.3
Oman	21.3	24.8	30.9	35.7	40.4	56.3	59.8
Qatar	22.0	31.7	42.5	56.9	73.3	116.9	144.1
Saudi Arabia	205.3	250.7	315.8	356.6	381.9	528.3	568.9
Syria	22.3	25.0	28.6	34.9	39.0	44.5	45.7
Turkmenistan	9.3	14.2	17.2	21.4	26.2	22.0	25.7
United Arab Emirates	82.2	107.3	135.2	164.1	190.7	270.0	293.5
Low-income countries	**52.7**	**68.1**	**83.6**	**103.5**	**130.5**	**169.0**	**197.9**
Afghanistan	4.6	5.4	6.5	7.7	9.6	12.8	15.2
Armenia	2.6	3.6	4.9	6.4	9.2	12.1	14.0
Djibouti	0.6	0.7	0.7	0.8	0.8	1.0	1.1
Georgia	3.8	5.1	6.4	7.8	10.2	13.3	14.0
Kyrgyz Republic	1.7	2.2	2.5	2.8	3.7	5.0	6.1
Mauritania	1.2	1.5	1.9	2.7	2.8	3.6	4.1
Sudan	16.0	21.7	27.4	36.4	46.2	62.2	71.3
Tajikistan	1.4	2.1	2.3	2.8	3.7	4.8	5.5
Uzbekistan	11.4	12.0	14.3	17.0	22.3	26.6	32.2
Yemen	11.2	13.9	16.7	19.1	21.8	27.6	34.4
Emerging markets	**264.3**	**295.0**	**322.1**	**367.8**	**422.3**	**498.5**	**568.7**
Egypt	88.4	78.8	89.8	107.4	128.0	158.3	203.0
Jordan	9.7	11.4	12.6	14.1	15.8	19.1	21.7
Lebanon	18.8	21.5	21.6	22.8	24.6	28.0	30.9
Morocco	44.4	56.9	59.5	65.6	75.1	90.5	97.7
Pakistan	80.1	98.1	109.6	127.0	143.8	160.9	171.5
Tunisia	22.7	28.3	29.0	31.0	35.0	41.8	43.9
Memorandum							
CCA	**64.6**	**90.9**	**118.2**	**159.5**	**212.6**	**278.2**	**322.9**
MENA	**846.2**	**1,055.6**	**1,280.5**	**1,513.8**	**1,766.0**	**2,393.9**	**2,641.6**
Of which							
GCC	**383.5**	**485.1**	**618.6**	**727.9**	**815.2**	**1,150.9**	**1,249.9**
Maghreb	**163.0**	**205.1**	**238.6**	**271.2**	**317.1**	**415.6**	**429.1**

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

Table 3. GDP at Purchasing Power Parity Prices

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**2,490.4**	**2,895.4**	**3,254.2**	**3,574.1**	**3,902.4**	**4,237.7**	**4,246.8**
Oil exporters	**1,573.7**	**1,845.7**	**2,116.9**	**2,319.5**	**2,528.7**	**2,745.9**	**2,742.3**
Algeria	156.6	181.5	198.9	209.4	224.9	241.1	241.4
Azerbaijan	23.8	29.5	38.4	51.7	65.5	77.7	80.2
Bahrain	15.4	18.1	20.4	22.4	24.4	26.5	27.5
Iran	506.3	591.6	634.6	693.3	757.5	816.8	813.9
Iraq	...	...	82.6	90.5	94.3	104.8	104.8
Kazakhstan	93.6	116.6	131.8	150.6	168.4	179.8	180.5
Kuwait	81.6	99.1	110.5	121.3	130.2	141.0	141.7
Libya	54.5	62.6	68.5	75.5	82.8	90.6	84.0
Oman	41.4	46.8	51.2	56.4	61.7	67.7	68.5
Qatar	40.3	51.6	56.3	66.9	79.7	95.1	88.6
Saudi Arabia	386.1	439.0	491.0	522.1	555.1	600.5	604.5
Syria	63.0	70.9	75.8	81.7	87.2	92.8	93.4
Turkmenistan	13.2	18.1	20.4	23.4	26.8	30.4	30.8
United Arab Emirates	98.0	120.4	136.7	154.4	170.3	186.2	182.4
Low-income countries	**176.6**	**208.1**	**228.8**	**255.0**	**284.7**	**310.8**	**320.9**
Afghanistan	12.7	13.7	15.7	17.6	20.1	22.0	23.0
Armenia	8.3	10.7	12.6	14.7	17.2	19.3	20.2
Djibouti	1.3	1.4	1.5	1.6	1.7	1.9	2.9
Georgia	11.7	14.0	15.7	17.8	20.5	21.7	23.8
Kyrgyz Republic	7.5	8.6	8.9	9.5	10.5	11.5	12.5
Mauritania	4.1	4.6	5.0	5.7	6.0	6.4	7.4
Sudan	48.6	56.7	62.0	71.2	80.5	89.3	89.5
Tajikistan	7.0	8.8	9.7	10.7	11.8	12.8	13.5
Uzbekistan	40.3	46.8	51.5	57.1	64.2	70.9	71.7
Yemen	40.2	42.9	46.2	49.2	52.2	55.2	56.3
Emerging markets	**740.1**	**841.5**	**908.5**	**999.6**	**1,089.0**	**1,180.9**	**1,183.6**
Egypt	276.6	309.7	333.3	367.6	404.3	443.1	441.8
Jordan	18.3	21.5	23.5	25.8	28.1	30.3	31.1
Lebanon	31.9	36.8	38.4	39.6	42.3	45.8	45.4
Morocco	88.8	101.9	108.2	120.4	126.9	138.2	137.1
Pakistan	272.6	311.7	340.3	375.6	410.3	443.7	444.3
Tunisia	52.0	59.9	64.8	70.6	77.0	83.1	83.9
Memorandum							
CCA	**205.4**	**253.0**	**288.9**	**335.4**	**384.9**	**423.0**	**433.3**
MENA	**2,012.4**	**2,330.6**	**2,625.0**	**2,863.1**	**3,107.1**	**3,372.1**	**3,369.2**
Of which							
GCC	**662.7**	**774.9**	**866.1**	**943.5**	**1,021.3**	**1,114.0**	**1,113.3**
Maghreb	**356.0**	**410.5**	**445.4**	**481.6**	**517.6**	**557.9**	**553.8**

Source: IMF, *World Economic Outlook.*

Table 4. Oil and Non-Oil Real GDP Growth for Oil Exporters

(Annual change; in percent)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
				Non-Oil GDP			
Oil exporters	**6.1**	**7.0**	**7.1**	**7.5**	**7.5**	**6.7**	**6.4**
Algeria	4.8	6.2	4.7	5.6	6.0	6.5	6.4
Azerbaijan	11.1	13.8	8.4	11.9	11.5	13.0	8.0
Bahrain	7.1	10.7	11.6	8.0	7.7	7.4	6.6
Iran	6.0	5.4	5.3	6.2	7.0	5.9	5.4
Iraq	...	14.9	12.0	7.5	-2.0	3.0	5.0
Kazakhstan	9.4	8.4	11.5	11.9	9.2	4.1	4.4
Kuwait	11.7	12.9	11.4	9.0	9.8	9.0	8.3
Libya	0.2	2.6	15.8	10.7	14.7	10.2	11.4
Oman	6.7	8.5	7.3	8.4	9.0	8.5	7.3
Qatar	9.4	24.6	13.1	19.9	14.5	14.0	12.4
Saudi Arabia	3.7	4.6	5.2	4.9	4.9	5.3	5.5
Syria	6.4	5.0	6.0	6.5	5.8	5.5	5.5
Turkmenistan	17.6	17.7	15.0	12.1	11.4	13.0	12.5
United Arab Emirates	9.2	12.6	10.8	10.4	8.8	8.1	7.1
Memorandum							
GCC	**6.2**	**8.6**	**7.7**	**7.7**	**7.3**	**7.2**	**6.9**
				Oil GDP			
Oil exporters	**4.8**	**4.7**	**4.1**	**3.1**	**2.3**	**4.5**	**4.4**
Algeria	3.8	3.3	5.8	-2.5	-1.0	1.1	0.2
Azerbaijan	2.8	2.5	65.4	62.0	37.3	18.8	23.9
Bahrain	0.5	-11.9	-8.8	-1.0	-4.0	-1.0	2.1
Iran	3.5	2.9	-0.4	2.7	0.9	2.0	2.0
Iraq	...	74.2	-8.1	5.3	4.0	13.0	8.7
Kazakhstan	16.2	15.5	1.7	5.0	7.3	6.8	10.2
Kuwait	17.1	8.1	11.4	2.9	-2.3	1.3	1.7
Libya	5.3	5.5	7.2	4.3	1.7	4.9	5.5
Oman	0.5	-1.8	2.9	2.6	-0.8	4.3	2.1
Qatar	8.6	12.5	6.0	10.7	17.4	19.5	29.5
Saudi Arabia	3.9	6.7	6.2	-0.8	0.5	7.1	1.6
Syria	-6.4	-6.1	-8.6	-6.4	-7.3	-4.5	3.2
Turkmenistan	19.8	-1.7	5.2	8.6	12.6	4.4	8.1
United Arab Emirates	4.4	2.9	1.6	6.5	3.5	3.5	2.5
Memorandum							
GCC	**5.5**	**5.7**	**5.6**	**1.9**	**1.8**	**6.5**	**4.5**

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

Table 5. Crude Oil Production and Exports

(Millions of barrels per day)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
				Production			
Oil exporters	**22.5**	**26.3**	**27.3**	**27.9**	**27.9**	**29.4**	**30.6**
Algeria	1.0	1.3	1.4	1.4	1.4	1.4	1.4
Azerbaijan	0.3	0.3	0.5	0.6	0.8	1.0	1.2
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Iran	3.6	3.9	4.0	4.1	4.1	4.2	4.3
Iraq	...	2.0	1.9	2.0	2.0	2.3	2.5
Kazakhstan	1.0	1.2	1.3	1.3	1.4	1.5	1.7
Kuwait	2.0	2.3	2.6	2.6	2.6	2.6	2.7
Libya	1.4	1.6	1.7	1.8	1.8	1.9	2.0
Oman	0.9	0.8	0.8	0.7	0.7	0.7	0.7
Qatar	0.7	0.8	0.8	0.8	0.8	0.9	0.9
Saudi Arabia	8.1	8.9	9.4	9.2	8.8	9.5	9.6
Syria	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Turkmenistan	0.2	0.2	0.2	0.2	0.2	0.2	0.2
United Arab Emirates	2.2	2.3	2.4	2.6	2.7	2.8	2.8
				Exports[1]			
Oil exporters	**15.4**	**19.8**	**20.4**	**20.7**	**21.2**	**22.3**	**23.1**
Algeria	0.5	0.9	1.0	0.9	0.9	0.9	0.9
Azerbaijan	0.2	0.2	0.4	0.6	0.7	0.9	1.1
Bahrain	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Iran	2.3	2.7	2.4	2.4	2.5	2.5	2.6
Iraq	...	1.5	1.4	1.4	1.6	1.8	1.9
Kazakhstan	0.7	1.1	1.1	1.1	1.2	1.3	1.4
Kuwait	1.2	1.4	1.7	1.7	1.6	1.6	1.7
Libya	1.1	1.3	1.3	1.4	1.5	1.5	1.6
Oman	0.8	0.7	0.7	0.6	0.6	0.5	0.6
Qatar	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Saudi Arabia	6.2	6.8	7.2	7.0	7.0	7.5	7.6
Syria	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Turkmenistan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Arab Emirates	2.0	2.2	2.2	2.4	2.5	2.6	2.6

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

[1]Excluding exports of refined oil products.

Table 6. Consumer Price Inflation

(Year average; in percent)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**5.4**	**7.0**	**6.4**	**7.2**	**9.5**	**14.9**	**13.5**
Oil exporters	**5.6**	**6.6**	**6.6**	**7.0**	**10.0**	**15.7**	**13.6**
Algeria	2.4	3.6	1.6	2.5	3.6	4.3	4.0
Azerbaijan	3.0	6.7	9.7	8.4	16.6	22.4	20.0
Bahrain	0.3	2.3	2.6	2.2	3.4	4.5	6.0
Iran	14.3	14.8	13.4	11.7	17.2	25.0	22.8
Iraq	16.4	7.8	37.0	53.2	30.8	2.3	17.2
Kazakhstan	8.2	6.9	7.6	8.6	10.8	17.6	9.8
Kuwait	1.2	1.3	4.1	3.1	5.5	9.0	7.5
Libya	-4.5	1.0	2.9	1.4	6.2	12.0	10.0
Oman	-0.3	0.7	1.9	3.4	5.9	11.2	9.0
Qatar	2.5	6.8	8.8	11.8	13.8	15.0	13.0
Saudi Arabia	-0.2	0.4	0.6	2.3	4.1	11.5	10.0
Syria	1.8	4.4	7.2	10.4	4.7	8.0	7.0
Turkmenistan	8.0	5.9	10.7	8.2	6.3	13.0	12.0
United Arab Emirates	3.0	5.0	6.2	9.3	11.1	12.9	10.8
Low-income countries	**11.5**	**8.4**	**8.9**	**11.1**	**10.1**	**14.6**	**10.8**
Afghanistan	9.5	12.6	12.7	7.2	8.6	25.8	11.6
Armenia	3.0	7.0	0.6	2.9	4.4	9.4	5.0
Djibouti	1.8	3.1	3.1	3.5	5.0	8.1	6.0
Georgia	5.0	5.7	8.3	9.2	9.2	10.0	7.6
Kyrgyz Republic	7.0	4.1	4.3	5.6	10.2	24.5	12.2
Mauritania	7.1	10.4	12.1	6.2	7.3	12.5	9.5
Sudan	7.5	8.4	8.5	7.2	8.0	16.0	10.0
Tajikistan	21.4	7.2	7.3	10.0	13.2	21.6	15.5
Uzbekistan	19.5	6.6	10.0	14.2	12.3	11.1	10.6
Yemen	11.7	12.5	11.8	18.2	12.5	17.2	14.4
Emerging markets	**3.7**	**7.5**	**5.5**	**6.9**	**8.3**	**13.4**	**13.8**
Egypt	4.7	11.3	4.9	7.6	10.2	13.9	13.6
Jordan	1.9	3.4	3.5	6.3	5.4	15.8	7.6
Lebanon	0.8	1.7	-0.7	5.6	4.1	11.0	6.2
Morocco	1.6	1.5	1.0	3.3	2.0	3.9	3.5
Pakistan	4.2	7.4	9.1	7.9	9.9	17.5	20.3
Tunisia	2.7	3.6	2.0	4.5	3.1	5.1	4.5
Memorandum							
CCA	**10.0**	**6.6**	**7.9**	**9.3**	**11.8**	**16.9**	**12.0**
MENA	**5.2**	**7.0**	**5.9**	**6.9**	**9.2**	**14.4**	**12.7**
Of which							
GCC	**0.6**	**1.7**	**2.6**	**4.3**	**6.3**	**11.5**	**10.0**
Maghreb	**1.2**	**2.7**	**1.8**	**2.9**	**3.6**	**5.7**	**5.0**

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

Table 7. Broad Money Growth

(Annual change; in percent)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**16.2**	**20.2**	**20.5**	**24.6**	**25.2**	**25.0**	**21.3**
Oil exporters	**16.9**	**21.9**	**21.7**	**27.7**	**27.8**	**27.9**	**23.1**
Algeria	16.0	11.5	11.1	18.7	24.7	25.0	15.3
Azerbaijan	30.1	47.5	22.1	86.4	72.4	84.0	40.0
Bahrain	8.1	4.1	22.0	14.9	40.8	25.0	12.0
Iran	30.1	31.1	33.6	39.2	28.6	32.0	31.3
Iraq	...	...	...	34.6	37.3	86.6	51.9
Kazakhstan	43.9	69.8	25.2	78.1	25.9	14.3	13.3
Kuwait	8.8	12.1	12.3	21.7	19.3	20.5	13.8
Libya	7.0	13.3	30.6	15.3	40.8	40.0	27.0
Oman	5.4	4.0	21.4	24.9	34.8	26.3	18.2
Qatar	15.5	20.8	42.9	39.6	39.5	40.4	32.9
Saudi Arabia	10.6	18.8	11.6	19.3	19.6	21.4	20.7
Syria	16.0	11.1	11.5	6.9	9.7	13.9	12.9
Turkmenistan	33.3	12.7	27.9	55.9	72.2	148.3	45.4
United Arab Emirates	17.1	23.2	33.8	23.2	41.7	36.8	28.0
Low-income countries	**30.5**	**31.7**	**34.6**	**32.3**	**26.8**	**23.0**	**25.1**
Afghanistan	37.8	34.6	12.3	22.0	15.0	32.9	10.0
Armenia	21.9	22.3	27.8	32.9	42.3	26.0	21.1
Djibouti	11.2	13.9	11.3	10.2	9.6	13.5	13.8
Georgia	28.2	42.6	26.4	39.3	49.6	14.0	18.0
Kyrgyz Republic	24.6	32.0	9.9	51.6	33.3	24.0	27.0
Mauritania	23.3	13.5	14.6	15.7	18.9	18.4	9.8
Sudan	30.0	32.1	44.7	27.4	10.3	21.0	24.0
Tajikistan	51.6	51.6	30.2	63.4	78.8	32.7	30.6
Uzbekistan	40.4	47.8	54.3	36.8	46.1	32.4	33.7
Yemen	19.4	15.0	14.4	28.8	17.4	20.0	25.0
Emerging markets	**12.2**	**13.8**	**14.6**	**14.0**	**16.6**	**15.6**	**13.8**
Egypt	13.2	13.2	13.6	13.5	17.1	16.8	14.5
Jordan	9.4	11.7	17.0	14.1	10.6	20.8	13.2
Lebanon[1]	10.2	12.3	3.5	6.4	10.9	14.0	13.0
Morocco	9.1	7.7	14.0	17.2	16.1	16.0	13.5
Pakistan	14.3	19.6	19.3	14.9	19.3	15.3	15.0
Tunisia	9.3	10.3	11.0	11.4	12.5	10.5	7.4
Memorandum							
CCA	**39.4**	**56.9**	**29.8**	**66.9**	**38.6**	**28.4**	**21.7**
MENA	**14.9**	**17.9**	**20.0**	**22.4**	**24.6**	**25.5**	**21.8**
Of which							
GCC	**11.6**	**17.9**	**19.2**	**22.0**	**27.1**	**26.6**	**22.3**
Maghreb	**11.2**	**10.6**	**15.0**	**16.7**	**24.0**	**24.2**	**16.7**

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

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

Table 8. Central Government Fiscal Balance

(In percent of GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**0.9**	**2.8**	**5.6**	**6.2**	**5.6**	**8.7**	**6.8**
Oil exporters	**3.8**	**6.6**	**11.4**	**12.1**	**11.3**	**16.7**	**13.3**
Algeria	5.6	6.9	11.9	13.6	11.7	18.5	13.9
Azerbaijan	-0.2	1.0	2.6	-0.2	2.6	25.4	29.2
Bahrain	4.0	4.6	7.6	4.7	3.4	9.3	6.2
Iran	2.1	1.7	1.7	0.0	3.8	4.4	2.3
Iraq[1]	...	-56.0	6.5	11.0	13.5	-2.7	-6.5
Kazakhstan[1]	1.7	2.5	5.8	7.2	4.7	6.1	4.4
Kuwait	24.2	21.2	34.1	30.7	39.1	31.6	28.0
Libya	9.2	13.9	30.9	35.5	26.2	32.5	27.6
Oman	7.5	4.5	12.1	14.2	10.3	12.0	8.3
Qatar	8.6	16.4	10.8	9.2	12.9	9.8	7.0
Saudi Arabia	0.9	10.0	18.4	21.0	12.3	28.8	22.3
Syria[1]	-1.6	-4.2	-4.4	-5.7	-4.3	-4.0	-3.0
Turkmenistan[1]	0.1	1.4	0.8	5.3	3.9	4.1	5.2
United Arab Emirates[2]	3.6	10.2	20.0	28.6	30.9	34.6	30.0
Low-income countries	**-0.7**	**-0.4**	**-1.4**	**0.7**	**-2.1**	**-1.1**	**-1.8**
Afghanistan	-1.5	-1.4	1.0	-2.9	-1.8	-2.6	-3.1
Armenia	-2.7	-1.7	-2.1	-2.0	-2.3	-1.4	-1.0
Djibouti	-2.2	-1.9	0.2	-2.5	-2.6	-1.9	-1.8
Georgia[1]	-1.5	-0.2	-2.4	-3.0	-4.7	-6.3	-3.8
Kyrgyz Republic[1]	-6.1	-4.4	-3.4	-2.1	-0.4	-1.3	-1.6
Mauritania[3]	-7.2	-4.8	-7.1	35.9	-1.8	-3.7	-1.8
Sudan	0.7	1.5	-1.8	-4.3	-3.1	-2.5	-3.3
Tajikistan[1]	-3.1	-2.4	-2.9	1.7	-6.2	-7.1	-7.6
Uzbekistan[1]	-1.0	0.6	1.2	5.2	5.1	5.0	3.6
Yemen[1]	0.4	-2.2	-1.8	1.2	-7.8	-2.7	-4.6
Emerging markets	**-4.9**	**-4.8**	**-5.5**	**-5.6**	**-5.1**	**-6.6**	**-5.6**
Egypt[1]	-6.0	-8.3	-8.4	-9.2	-7.7	-7.7	-7.9
Jordan	-2.8	-1.7	-5.0	-3.8	-6.2	-5.5	-6.6
Lebanon	-17.0	-9.7	-8.5	-10.2	-11.0	-10.0	-11.0
Morocco	-4.5	-3.8	-4.8	-1.4	0.2	-2.0	-2.9
Pakistan[1]	-2.9	-1.8	-3.0	-3.7	-4.0	-7.4	-4.1
Tunisia	-3.2	-2.6	-3.0	-2.7	-2.9	-2.7	-2.7
Memorandum							
CCA	**0.0**	**1.1**	**3.0**	**4.1**	**3.0**	**8.0**	**8.3**
MENA	**1.5**	**3.5**	**7.1**	**7.8**	**7.2**	**11.0**	**8.1**
Of which							
GCC	**5.1**	**11.5**	**19.5**	**21.9**	**18.6**	**27.0**	**21.6**
Maghreb	**2.2**	**3.8**	**8.4**	**11.2**	**8.9**	**12.3**	**9.4**

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

[1]General government.

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

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

Table 9. Central Government Total Revenue, Excluding Grants

(In percent of GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**28.3**	**29.8**	**33.1**	**34.5**	**33.9**	**36.4**	**34.5**
Oil exporters	**32.4**	**34.6**	**39.6**	**40.9**	**39.8**	**43.4**	**40.7**
Algeria	36.3	36.1	40.9	43.0	42.0	46.6	45.1
Azerbaijan	24.0	26.8	25.0	28.0	29.9	54.2	58.9
Bahrain	31.6	30.3	32.2	30.4	31.1	36.7	32.5
Iran	23.1	24.5	30.3	29.9	29.9	30.1	27.3
Iraq[1]	...	64.9	79.5	67.9	71.3	76.3	69.3
Kazakhstan[1]	23.9	24.6	28.1	27.5	28.8	29.3	27.9
Kuwait	62.3	55.8	62.4	63.5	70.5	67.7	71.0
Libya	45.7	53.6	62.9	65.1	61.4	66.0	65.1
Oman	45.7	45.1	47.9	50.3	45.8	49.4	46.7
Qatar	39.9	47.7	43.8	41.4	43.3	35.8	32.7
Saudi Arabia	35.3	42.2	48.0	50.8	44.9	54.9	48.5
Syria[1]	27.7	27.2	24.0	21.9	21.9	22.5	23.4
Turkmenistan[1]	20.4	20.3	20.5	20.2	17.2	18.8	20.6
United Arab Emirates[2]	34.2	34.2	41.0	50.2	52.1	52.6	49.8
Low-income countries	**24.2**	**25.4**	**26.6**	**27.7**	**27.1**	**29.9**	**26.8**
Afghanistan	4.3	5.0	6.4	7.5	7.0	7.0	7.5
Armenia	15.2	14.9	17.4	17.5	19.3	19.6	20.2
Djibouti	25.5	28.8	30.9	31.1	30.1	27.0	26.5
Georgia[1,3]	18.2	24.2	22.5	25.5	28.6	26.8	25.1
Kyrgyz Republic[1]	20.6	22.3	23.7	25.6	28.5	28.7	24.8
Mauritania[4]	26.7	29.7	24.5	29.5	25.6	25.6	23.5
Sudan	13.7	19.7	22.1	19.5	19.3	24.2	19.8
Tajikistan[1]	15.9	17.3	19.3	18.9	20.5	20.3	22.7
Uzbekistan[1]	33.7	31.4	30.4	34.1	35.4	36.6	35.5
Yemen[1]	32.4	31.3	34.5	38.2	32.3	38.5	31.7
Emerging markets	**20.7**	**20.3**	**20.3**	**22.1**	**22.5**	**22.6**	**22.6**
Egypt[1]	26.0	24.6	24.3	28.2	27.7	27.8	27.4
Jordan	25.0	25.7	28.2	31.2	31.9	30.8	30.6
Lebanon	20.5	23.1	22.8	21.8	23.4	23.4	25.2
Morocco	22.4	22.2	23.5	25.1	27.3	27.4	27.5
Pakistan[1]	13.9	14.1	13.8	14.2	14.9	14.9	14.9
Tunisia	24.0	23.8	23.6	23.8	24.2	24.6	24.4
Memorandum							
CCA	**24.9**	**25.4**	**26.8**	**27.8**	**29.5**	**34.6**	**35.0**
MENA	**30.6**	**32.3**	**36.4**	**38.1**	**37.1**	**39.6**	**37.0**
Of which							
GCC	**39.3**	**42.9**	**48.1**	**51.2**	**49.0**	**53.8**	**49.5**
Maghreb	**32.4**	**33.4**	**37.4**	**39.0**	**38.7**	**41.5**	**40.7**

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

[1]General government.

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

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

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

Table 10. Oil Exporters: Central Government Non-Oil Fiscal Balance

(In percent of non-oil GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Oil exporters	**-30.8**	**-32.4**	**-36.5**	**-37.6**	**-36.7**	**-37.2**	**-33.4**
Algeria	-30.9	-30.1	-34.7	-36.0	-36.9	-39.5	-41.0
Azerbaijan	-12.1	-13.2	-12.9	-31.3	-31.7	-47.1	-44.5
Bahrain	-29.1	-28.6	-28.8	-28.5	-31.1	-35.2	-33.9
Iran	-17.1	-20.3	-28.0	-28.2	-23.0	-24.5	-21.2
Iraq[1]	...	-306.3	-143.5	-95.3	-103.5	-178.5	-160.4
Kazakhstan[1]	-5.1	-6.5	-7.4	-4.3	-6.6	-11.7	-10.8
Kuwait	-40.0	-42.4	-36.1	-48.9	-41.0	-31.9	-28.1
Libya	-65.3	-111.9	-123.7	-127.6	-135.9	-154.9	-140.1
Oman	-58.0	-62.7	-63.2	-64.9	-59.1	-73.5	-65.2
Qatar	-45.0	-33.0	-47.6	-41.1	-31.7	-39.2	-37.0
Saudi Arabia	-46.9	-45.8	-50.9	-52.7	-59.2	-51.5	-46.9
Syria[1]	-19.8	-19.4	-15.3	-13.4	-11.0	-11.9	-10.1
Turkmenistan[1]	-9.8	-9.9	-12.3	-7.4	-6.4	-18.1	-23.9
United Arab Emirates[2]	-30.3	-22.2	-17.0	-14.9	-12.6	-16.8	-14.5

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

[1]General government.

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

Table 11. Oil Exporters: Central Government Non-Oil Revenue

(In percent of non-oil GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Oil exporters	**14.6**	**15.4**	**16.0**	**17.3**	**18.2**	**16.4**	**15.9**
Algeria	17.0	16.9	17.4	18.4	18.2	19.5	20.1
Azerbaijan	23.2	24.3	27.5	29.9	32.5	32.6	32.3
Bahrain	11.4	10.3	9.7	9.0	8.3	8.4	6.2
Iran	9.5	10.1	11.7	12.4	12.4	10.8	11.0
Iraq[1]	...	3.9	7.3	6.3	8.7	17.3	10.1
Kazakhstan[1]	25.0	25.0	27.0	25.2	27.1	23.3	23.6
Kuwait	32.4	25.7	28.1	34.1	33.6	32.1	31.8
Libya	20.8	24.9	20.0	25.2	29.1	33.6	35.7
Oman	14.7	13.6	13.8	15.3	15.8	16.5	18.2
Qatar	29.5	35.6	34.2	34.3	40.3	35.6	35.0
Saudi Arabia	10.8	12.8	11.2	12.1	12.4	14.8	11.6
Syria[1]	18.1	20.3	22.3	22.8	23.0	24.1	23.9
Turkmenistan[1]	15.0	14.6	12.4	12.1	11.5	10.7	10.6
United Arab Emirates[2]	13.5	13.2	16.1	18.7	20.5	16.2	18.6

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

[1]General government.

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

Table 12. Central Government Total Expenditure and Net Lending

(In percent of GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**27.8**	**27.3**	**27.7**	**28.6**	**28.6**	**27.9**	**27.9**
Oil exporters	**28.6**	**28.0**	**28.2**	**28.8**	**28.6**	**26.6**	**27.4**
Algeria [1]	30.8	29.2	29.0	29.4	30.4	28.2	31.2
Azerbaijan [2]	24.3	25.9	22.7	27.4	27.4	28.7	29.6
Bahrain	28.4	26.1	25.5	26.2	27.8	27.4	26.4
Iran	21.0	22.8	28.6	29.8	26.1	25.7	25.0
Iraq [3]	...	130.1	100.8	69.4	61.5	80.6	76.0
Kazakhstan [3]	22.2	22.1	22.3	20.2	24.2	23.2	23.5
Kuwait	38.1	34.5	28.3	32.8	31.3	36.1	43.0
Libya	36.5	39.7	32.1	29.5	35.2	33.5	37.5
Oman	38.3	39.8	35.1	35.8	37.7	37.4	38.3
Qatar	31.3	31.3	33.1	32.2	30.4	26.0	25.7
Saudi Arabia	34.4	32.1	29.6	29.8	32.6	26.2	26.2
Syria [3]	29.3	31.4	28.4	27.6	26.3	26.6	26.3
Turkmenistan [3]	20.3	18.9	19.7	14.9	13.3	14.6	15.4
United Arab Emirates [4]	30.6	24.0	21.0	21.6	21.1	18.0	19.8
Low-income countries	**25.4**	**26.0**	**28.3**	**28.6**	**29.8**	**31.8**	**29.5**
Afghanistan	12.8	15.3	16.6	19.6	20.0	19.1	20.0
Armenia	19.8	17.1	19.9	20.0	22.4	21.6	22.1
Djibouti	33.7	37.5	36.8	37.4	37.7	34.9	36.6
Georgia[3]	18.6	18.9	24.9	29.7	34.0	33.9	29.7
Kyrgyz Republic[3]	27.6	27.7	28.1	28.9	31.5	32.6	28.6
Mauritania	37.6	37.7	33.7	28.5	29.7	32.2	28.2
Sudan	13.0	18.2	23.9	24.3	23.0	27.3	23.9
Tajikistan[3]	19.2	20.3	23.0	21.9	27.8	29.0	31.2
Uzbekistan[3]	35.5	31.6	29.5	29.2	30.5	31.7	32.0
Yemen[3]	32.5	34.2	36.8	37.4	40.3	42.2	37.5
Emerging markets	**26.6**	**26.0**	**26.3**	**28.3**	**28.2**	**29.8**	**28.6**
Egypt[3]	32.8	33.9	33.2	37.8	35.9	35.6	35.8
Jordan	35.0	38.3	38.3	38.3	41.1	41.4	39.4
Lebanon	37.7	32.8	31.3	35.0	35.9	35.3	36.8
Morocco[5]	27.1	26.3	28.7	26.9	27.5	30.9	30.8
Pakistan[3]	18.1	16.4	17.2	18.5	19.2	22.7	19.1
Tunisia	27.4	26.6	26.9	26.6	27.2	27.6	27.5
Memorandum							
CCA	**25.1**	**24.2**	**24.0**	**23.9**	**26.7**	**26.8**	**27.0**
MENA	**29.3**	**29.1**	**29.5**	**30.5**	**30.1**	**28.7**	**29.2**
Of which							
GCC	**34.2**	**31.5**	**28.6**	**29.3**	**30.5**	**26.8**	**27.9**
Maghreb	**30.3**	**29.8**	**29.1**	**28.4**	**30.0**	**29.7**	**31.6**

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

[1]Including special accounts.

[2]Expenditures do not include statistical discrepancy.

[3]General government.

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

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

Table 13. Total Government Debt

(In percent of GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**60.4**	**53.7**	**45.2**	**38.6**	**33.5**	**29.6**	**27.0**
Oil exporters	**45.2**	**36.1**	**24.9**	**19.6**	**14.9**	**10.9**	**9.3**
Algeria	53.4	36.6	27.3	23.8	12.1	8.7	7.8
Azerbaijan	22.4	20.2	13.3	10.2	9.1	6.0	5.9
Bahrain	32.5	34.2	28.6	23.3	19.6	18.4	18.2
Iran	23.4	26.3	23.7	19.7	17.2	13.4	11.5
Iraq[1]	...	486.9	365.0	205.7	168.5	50.6	49.9
Kazakhstan[1]	17.9	11.4	8.1	6.7	5.8	5.2	5.5
Kuwait	27.9	17.3	11.8	8.5	7.0	5.0	4.9
Libya	27.8	1.4	1.0	0.9	0.0	0.0	0.0
Oman	19.7	15.4	9.6	9.1	6.3	4.2	3.5
Qatar	46.1	27.8	19.3	13.2	8.9	5.8	4.1
Saudi Arabia	85.0	65.0	38.9	27.3	18.7	10.7	7.0
Syria[1]	120.1	109.7	56.8	52.1	44.4	40.7	40.5
Turkmenistan[1]	22.4	9.2	5.4	3.3	2.4	2.8	2.5
United Arab Emirates[1]	5.7	8.2	9.2	10.0	10.6	9.4	10.2
Low-income countries	**86.7**	**72.3**	**61.7**	**50.3**	**44.8**	**37.2**	**34.3**
Afghanistan	...	...	...	...	...	...	...
Armenia	32.1	32.4	24.3	18.7	17.4	15.8	13.9
Djibouti	68.2	73.7	67.6	63.2	62.1	53.4	49.1
Georgia[1]	60.6	45.7	35.7	28.6	20.8	16.1	15.1
Kyrgyz Republic[1]	107.3	92.9	85.9	72.5	57.7	43.5	36.2
Mauritania	227.7	232.7	208.6	110.5	112.6	80.1	72.5
Sudan	145.7	120.8	104.9	86.2	77.1	63.7	60.1
Tajikistan[1]	83.4	43.1	42.3	35.5	34.8	32.1	34.8
Uzbekistan[1]	46.6	35.1	28.2	21.3	15.8	13.5	10.6
Yemen[1]	57.7	52.1	43.8	40.8	40.5	34.7	32.3
Emerging markets	**86.7**	**87.7**	**86.3**	**77.8**	**72.0**	**69.1**	**64.7**
Egypt[1]	97.4	112.9	112.8	98.8	88.7	81.9	74.5
Jordan	97.6	91.8	84.2	81.5	79.7	65.3	63.8
Lebanon	162.8	167.1	178.4	177.4	170.6	163.4	159.3
Morocco	65.9	59.4	63.1	58.1	53.6	50.2	49.9
Pakistan[1]	78.1	67.8	62.9	57.3	54.6	56.9	53.2
Tunisia[1]	61.0	59.4	58.3	53.9	50.9	47.0	45.4
Memorandum							
CCA	**33.7**	**24.4**	**18.9**	**14.7**	**12.1**	**10.0**	**9.2**
MENA	**60.6**	**54.8**	**45.6**	**38.8**	**33.2**	**28.2**	**25.7**
Of which							
GCC	**58.7**	**43.9**	**27.5**	**19.9**	**14.3**	**9.1**	**7.0**
Maghreb	**55.7**	**42.4**	**38.5**	**34.2**	**27.3**	**24.1**	**23.2**

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

[1]General government.

Table 14. Exports of Goods and Services

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**402.3**	**573.1**	**776.4**	**944.4**	**1,114.5**	**1,595.6**	**1,629.7**
Oil exporters	**321.3**	**467.7**	**654.2**	**801.7**	**945.1**	**1,376.6**	**1,387.7**
Algeria	24.5	34.1	48.8	57.3	63.5	94.3	88.0
Azerbaijan	2.9	4.2	8.3	14.0	22.5	38.4	45.5
Bahrain	7.7	10.2	13.3	15.5	17.0	23.8	23.5
Iran	35.8	49.8	70.8	82.2	99.1	127.6	123.6
Iraq	...	17.8	23.5	30.3	39.0	60.9	60.2
Kazakhstan	14.0	22.6	30.5	41.6	51.9	75.0	79.0
Kuwait	23.0	33.8	51.7	66.6	74.2	108.1	103.7
Libya	15.0	20.8	31.9	40.2	45.9	70.3	70.0
Oman	12.3	14.1	19.4	22.5	25.7	35.5	36.4
Qatar	14.2	20.7	28.7	39.3	50.1	89.6	101.0
Saudi Arabia	92.9	132.4	188.0	219.2	242.8	368.8	359.1
Syria	8.1	9.8	12.0	13.2	14.9	16.8	19.1
Turkmenistan	3.3	4.2	5.3	7.5	9.5	13.2	17.5
United Arab Emirates	64.0	93.2	122.0	152.5	188.9	254.1	261.1
Low-income countries	**15.4**	**21.1**	**25.4**	**30.2**	**38.0**	**50.2**	**52.7**
Afghanistan	1.7	1.7	1.9	1.9	2.0	2.3	2.6
Armenia	0.7	1.1	1.4	1.5	1.8	1.9	2.2
Djibouti	0.2	0.3	0.3	0.3	0.4	0.4	0.5
Georgia	1.2	1.6	2.2	2.6	3.2	3.7	4.1
Kyrgyz Republic	0.7	1.0	1.1	1.5	2.2	3.0	3.5
Mauritania	0.4	0.5	0.7	1.5	1.5	2.1	2.3
Sudan	2.4	3.8	5.0	6.0	9.3	14.4	13.5
Tajikistan	0.9	1.2	0.6	0.7	0.8	0.9	1.0
Uzbekistan	3.6	4.8	5.4	6.4	9.0	11.0	12.2
Yemen	4.2	5.0	6.8	7.9	7.8	10.4	10.9
Emerging markets	**65.6**	**84.3**	**96.8**	**112.5**	**131.4**	**168.7**	**189.3**
Egypt	17.9	22.9	28.0	33.0	38.5	53.3	62.6
Jordan	4.5	6.0	6.6	8.1	9.2	11.0	12.2
Lebanon	7.9	10.5	11.3	13.7	15.5	19.1	21.5
Morocco	12.9	16.6	18.8	21.7	27.1	35.2	37.9
Pakistan	11.9	15.1	17.8	20.3	21.4	23.7	27.0
Tunisia	10.3	13.2	14.4	15.7	19.8	26.4	28.0
Memorandum							
CCA	**27.4**	**40.8**	**54.8**	**75.6**	**101.0**	**147.0**	**164.8**
MENA	**363.0**	**517.2**	**703.8**	**848.4**	**992.1**	**1,424.8**	**1,437.9**
Of which							
GCC	**214.2**	**304.4**	**423.1**	**515.5**	**598.8**	**880.0**	**884.8**
Maghreb	**63.1**	**85.2**	**114.6**	**136.3**	**157.7**	**228.4**	**226.3**

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

Table 15. Imports of Goods and Services

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**331.3**	**468.0**	**560.1**	**673.7**	**838.9**	**1,083.3**	**1,220.6**
Oil exporters	**232.4**	**341.4**	**405.4**	**487.2**	**614.0**	**794.1**	**901.8**
Algeria	15.2	21.8	24.6	25.5	33.3	44.7	53.7
Azerbaijan	3.7	6.3	7.0	8.1	9.4	11.9	14.7
Bahrain	6.0	8.2	10.2	11.3	12.3	18.4	18.4
Iran	31.5	49.0	55.0	62.6	71.9	86.4	97.0
Iraq	...	24.3	24.2	25.1	25.3	46.7	45.3
Kazakhstan	12.7	18.9	25.5	32.8	44.7	52.1	55.7
Kuwait	14.7	19.2	22.8	24.5	34.1	41.9	47.4
Libya	7.9	10.7	13.5	15.9	20.7	27.3	34.9
Oman	8.0	10.6	11.1	13.6	18.9	24.5	27.6
Qatar	6.0	8.3	12.6	21.8	27.1	36.5	47.2
Saudi Arabia	58.5	71.0	88.3	114.3	146.0	192.5	227.5
Syria	7.3	10.5	12.8	15.0	16.8	19.1	21.7
Turkmenistan	3.0	4.1	3.9	3.6	4.9	6.8	8.7
United Arab Emirates	53.1	78.4	93.9	112.9	148.5	185.3	201.9
Low-income countries	**18.9**	**27.3**	**34.8**	**42.7**	**53.4**	**63.3**	**69.0**
Afghanistan	4.4	5.6	6.8	7.4	8.4	9.2	9.4
Armenia	1.2	1.6	2.1	2.5	3.6	4.7	5.6
Djibouti	0.3	0.3	0.4	0.5	0.6	0.8	0.9
Georgia	1.7	2.5	3.3	4.4	5.9	7.1	7.4
Kyrgyz Republic	0.8	1.1	1.4	2.3	3.2	4.4	5.2
Mauritania	0.7	1.2	1.8	1.6	1.9	2.4	2.5
Sudan	3.2	4.7	7.7	10.0	11.0	13.0	13.8
Tajikistan	1.0	1.5	1.2	1.6	2.6	3.6	3.9
Uzbekistan	3.2	3.9	4.1	4.7	6.7	8.7	10.5
Yemen	4.0	4.9	6.0	7.8	9.3	9.4	9.8
Emerging markets	**80.0**	**99.3**	**119.8**	**143.9**	**171.4**	**225.9**	**249.8**
Egypt	21.4	23.3	30.2	38.2	44.9	63.1	77.3
Jordan	6.9	9.4	11.9	13.2	15.5	19.5	20.5
Lebanon	12.2	15.2	14.9	16.8	20.7	25.8	28.6
Morocco	14.8	19.8	22.8	26.1	34.5	44.6	47.2
Pakistan	13.5	17.7	25.6	33.2	35.3	45.3	46.9
Tunisia	11.1	13.9	14.5	16.3	20.5	27.6	29.4
Memorandum							
CCA	**27.3**	**39.9**	**48.5**	**60.1**	**81.1**	**99.3**	**111.6**
MENA	**290.4**	**410.4**	**486.0**	**580.5**	**722.5**	**938.7**	**1,062.0**
Of which							
GCC	**146.3**	**195.8**	**238.9**	**298.5**	**386.9**	**499.1**	**570.0**
Maghreb	**49.7**	**67.4**	**77.2**	**85.3**	**110.9**	**146.7**	**167.7**

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

Table 16. Current Account Balance

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**64.6**	**96.6**	**224.8**	**285.8**	**291.9**	**513.4**	**433.8**
Oil exporters	**65.5**	**95.4**	**230.2**	**296.4**	**310.2**	**538.6**	**462.0**
Algeria	8.1	11.1	21.2	29.0	30.6	48.2	33.9
Azerbaijan	-1.1	-2.6	0.2	3.7	9.0	20.4	26.2
Bahrain	0.3	0.5	1.5	2.2	2.9	3.5	3.1
Iran	4.9	1.4	16.6	20.5	28.8	42.9	29.8
Iraq	...	-10.2	2.7	6.6	11.3	13.9	14.3
Kazakhstan	-0.3	0.3	-1.1	-1.9	-7.2	6.0	5.2
Kuwait	11.0	18.2	37.6	51.6	48.0	71.2	64.1
Libya	5.8	7.4	17.4	25.2	23.8	39.6	33.1
Oman	1.6	0.6	4.7	4.3	3.2	5.7	3.4
Qatar	5.2	7.1	14.1	16.1	21.4	50.1	51.3
Saudi Arabia	23.2	52.1	90.6	99.6	95.8	171.7	135.2
Syria	0.7	-0.5	-0.6	-1.0	-0.6	-1.2	-1.3
Turkmenistan	0.3	0.1	0.9	3.4	4.0	5.8	8.5
United Arab Emirates	8.0	9.8	24.3	37.1	39.1	60.9	55.3
Low-income countries	**-1.3**	**-1.2**	**-2.3**	**-4.4**	**-6.4**	**-3.6**	**-5.8**
Afghanistan	-0.4	-0.3	-0.2	-0.4	0.1	0.1	-0.5
Armenia	-0.2	0.0	-0.1	-0.1	-0.6	-1.2	-1.5
Djibouti	0.0	0.0	0.0	-0.1	-0.2	-0.3	-0.4
Georgia	-0.3	-0.5	-0.8	-1.2	-2.0	-2.8	-2.6
Kyrgyz Republic	0.0	0.1	0.1	-0.1	0.0	-0.2	-0.3
Mauritania	-0.2	-0.5	-0.9	0.0	-0.3	-0.2	-0.1
Sudan	-1.4	-1.4	-3.0	-5.5	-5.8	-3.9	-4.8
Tajikistan	0.0	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4
Uzbekistan	0.5	1.2	1.9	2.9	4.3	4.5	4.1
Yemen	0.6	0.2	0.6	0.2	-1.3	0.8	0.7
Emerging markets	**0.4**	**2.4**	**-3.0**	**-6.2**	**-11.9**	**-21.6**	**-22.4**
Egypt	1.0	3.4	2.9	0.9	1.9	0.9	-1.7
Jordan	0.4	0.1	-2.2	-1.6	-2.8	-3.5	-3.5
Lebanon	-3.0	-3.3	-2.9	-1.3	-3.1	-3.9	-4.2
Morocco	1.0	1.0	1.1	1.4	-0.1	0.4	-0.3
Pakistan	1.8	1.8	-1.5	-5.0	-6.9	-14.0	-11.0
Tunisia	-0.8	-0.5	-0.3	-0.6	-0.9	-1.4	-1.5
Memorandum							
CCA	**-1.2**	**-1.4**	**1.1**	**6.6**	**7.1**	**32.1**	**39.2**
MENA	**64.1**	**96.2**	**225.2**	**284.2**	**291.7**	**495.2**	**405.6**
Of which							
GCC	**49.2**	**88.2**	**172.8**	**211.0**	**210.4**	**363.2**	**312.3**
Maghreb	**14.0**	**18.4**	**38.5**	**54.9**	**53.0**	**86.5**	**65.0**

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

Table 17. Current Account Balance

(In percent of GDP)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**6.5**	**8.0**	**15.4**	**16.5**	**14.4**	**18.9**	**14.4**
Oil exporters	**9.7**	**10.8**	**20.9**	**22.3**	**19.8**	**24.9**	**19.5**
Algeria	12.7	13.1	20.6	24.8	22.8	28.1	19.8
Azerbaijan	-14.9	-29.8	1.3	17.7	28.9	38.3	38.6
Bahrain	3.8	4.2	11.0	13.8	16.7	18.0	15.0
Iran	4.5	0.9	8.8	9.2	10.1	11.2	6.7
Iraq	...	-39.4	8.6	13.4	18.2	15.1	14.8
Kazakhstan	-1.3	0.8	-1.8	-2.4	-6.8	4.3	3.3
Kuwait	24.8	30.6	46.6	52.2	43.1	44.6	39.3
Libya	17.5	22.3	38.4	45.8	34.0	36.5	29.5
Oman	7.6	2.4	15.2	12.1	8.0	10.1	5.6
Qatar	24.0	22.4	33.2	28.4	29.2	42.9	35.6
Saudi Arabia	10.6	20.8	28.7	27.9	25.1	32.5	23.8
Syria	3.5	-1.9	-2.1	-2.9	-1.4	-2.7	-2.9
Turkmenistan	4.0	0.6	5.1	15.7	15.4	26.5	33.0
United Arab Emirates	9.9	9.1	18.0	22.6	20.5	22.6	18.8
Low-income countries	**-2.5**	**-1.8**	**-2.8**	**-4.3**	**-4.9**	**-2.2**	**-2.9**
Afghanistan	-8.1	-4.9	-2.8	-4.9	0.8	0.9	-3.0
Armenia	-7.5	-0.5	-1.0	-1.8	-6.4	-9.7	-10.8
Djibouti	-2.3	-1.3	-3.2	-14.7	-24.8	-33.5	-32.9
Georgia	-7.7	-8.9	-11.9	-15.9	-20.0	-20.8	-18.7
Kyrgyz Republic	-0.6	4.9	2.8	-3.1	-0.2	-4.2	-5.4
Mauritania	-13.2	-34.6	-47.2	-1.3	-11.4	-6.3	-3.0
Sudan	-9.2	-6.5	-11.1	-15.2	-12.6	-6.3	-6.7
Tajikistan	-3.1	-3.9	-2.7	-2.8	-11.2	-8.5	-8.1
Uzbekistan	4.2	10.1	13.6	17.2	19.1	16.8	12.8
Yemen	5.6	1.6	3.8	1.1	-6.1	2.9	2.1
Emerging markets	**0.1**	**0.8**	**-0.9**	**-1.7**	**-2.8**	**-4.3**	**-3.9**
Egypt	1.2	4.3	3.2	0.8	1.5	0.6	-0.9
Jordan	3.9	0.8	-17.4	-11.3	-17.5	-18.5	-16.3
Lebanon	-15.9	-15.5	-13.6	-5.6	-12.7	-14.0	-13.7
Morocco	2.3	1.7	1.8	2.2	-0.1	0.4	-0.3
Pakistan	2.2	1.8	-1.4	-3.9	-4.8	-8.7	-6.4
Tunisia	-3.6	-1.9	-1.1	-2.0	-2.6	-3.4	-3.5
Memorandum							
CCA	**-2.1**	**-1.8**	**1.1**	**4.7**	**3.8**	**12.5**	**13.2**
MENA	**7.6**	**9.4**	**18.1**	**19.5**	**17.2**	**21.6**	**16.1**
Of which							
GCC	**12.4**	**18.2**	**27.9**	**29.0**	**25.8**	**31.6**	**25.0**
Maghreb	**8.5**	**9.0**	**16.1**	**20.3**	**16.7**	**20.8**	**15.2**

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

Table 18. Real Effective Exchange Rate

(Consumer price index based; annual average percent change; increase indicates appreciation)

	Average 2000–04	2004	2005	2006	2007	2008 June
Middle East and Central Asia	**-2.9**	**-3.0**	**1.2**	**1.1**	**0.9**	**3.0**
Oil exporters	**-1.7**	**-3.2**	**0.8**	**2.3**	**0.9**	**2.6**
Algeria	-3.6	0.6	-4.0	0.0	-1.0	-0.6
Azerbaijan	-6.2	-3.8	6.3	8.7	9.0	11.0
Bahrain	-2.3	-6.7	-2.8	-2.9	-10.0	-10.9
Iran	6.9	1.0	6.0	3.9	6.0	13.2
Iraq	...	...	...	...	...	...
Kazakhstan	-1.5	5.7	3.0	7.6	2.3	-2.7
Kuwait	-0.9	-5.1	2.0	0.9	0.7	6.3
Libya	-23.0	-13.2	-1.8	-0.4	0.7	5.8
Oman	-3.3	-6.1	-0.9	-1.5	-0.4	1.1
Qatar	-0.1	-0.1	7.1	8.3	3.2	-1.2
Saudi Arabia	-3.1	-6.7	-2.6	-0.5	-2.9	-1.3
Syria	-0.9	-0.2	1.7	10.6	3.2	14.5
Turkmenistan	4.2	-3.5	2.5	4.5	-1.2	-7.4
United Arab Emirates	-0.4	-2.7	2.5	5.4	2.4	-2.9
Low-income countries	**-6.2**	**0.3**	**4.0**	**8.6**	**3.5**	**9.5**
Afghanistan	9.1	6.8	2.7	-2.0	3.1	...
Armenia	-3.5	4.0	9.4	6.4	13.1	8.1
Djibouti	-0.9	-3.6	-1.1	-1.1	-4.1	-6.2
Georgia	0.5	6.7	6.2	5.6	3.7	23.1
Kyrgyz Republic	0.3	-3.2	1.2	1.5	8.2	19.2
Mauritania	-5.0	0.4	8.4	1.4	-1.6	6.1
Sudan	4.3	1.6	10.1	16.7	5.3	5.3
Tajikistan	-2.6	0.3	-5.5	-2.7	-2.5	4.8
Uzbekistan	-25.5	-8.3	-6.6	-2.1	-1.5	-5.1
Yemen	5.3	4.2	3.9	10.5	3.1	26.1
Emerging markets	**-4.9**	**-3.1**	**1.6**	**3.5**	**0.2**	**2.5**
Egypt	-10.1	-4.1	8.4	5.0	2.6	11.4
Jordan	-0.9	-3.9	-0.3	2.6	-2.5	2.1
Lebanon	-2.5	-6.8	-4.1	2.2	-4.5	-2.8
Morocco	-0.9	-1.2	-1.8	1.2	-0.4	0.9
Pakistan	-1.9	-1.8	0.2	5.3	0.5	-2.2
Tunisia	-2.5	-3.5	-4.6	-0.8	-2.8	-2.0
Memorandum						
CCA	**-8.9**	**1.3**	**2.0**	**5.6**	**3.3**	**1.7**
MENA	**-2.6**	**-3.4**	**1.2**	**2.5**	**0.7**	**3.6**
Of which						
GCC	**-2.1**	**-5.2**	**-0.2**	**1.5**	**-0.8**	**-0.7**
Maghreb	**-7.2**	**-2.9**	**-3.0**	**0.2**	**-0.7**	**1.0**
Mashreq	-7.2	-3.8	4.7	5.4	1.3	9.2
Egypt	-10.1	-4.1	8.4	5.0	2.6	11.4
Jordan	-0.9	-3.9	-0.3	2.6	-2.5	2.1
Lebanon	-2.5	-6.8	-4.1	2.2	-4.5	-2.8
Syria	-0.9	-0.2	1.7	10.6	3.2	14.5

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

Table 19. Gross Official Reserves

(In billions of U.S. dollars)

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**192.6**	**271.8**	**325.4**	**629.7**	**878.8**	**1,139.6**	**1,380.8**
Oil exporters	**141.1**	**200.8**	**247.8**	**533.0**	**762.5**	**1,007.6**	**1,235.8**
Algeria	25.8	43.1	56.2	77.8	110.7	158.8	193.5
Azerbaijan	0.8	1.1	1.2	2.5	4.3	8.1	11.4
Bahrain	1.4	1.6	1.9	1.0	4.1	5.5	6.5
Iran	21.7	33.3	46.8	60.5	81.7	109.9	125.8
Iraq	...	7.9	12.0	20.0	31.5	50.4	67.7
Kazakhstan	4.4	9.3	7.1	19.1	17.6	21.0	22.0
Kuwait	7.9	7.3	8.1	12.6	15.9	21.1	23.8
Libya	16.8	25.9	39.3	58.7	78.8	123.5	171.6
Oman	3.1	3.6	4.4	5.0	7.2	10.1	11.8
Qatar	2.0	3.4	4.6	5.4	9.8	13.8	19.6
Saudi Arabia[1]	21.8	27.5	26.8	225.2	305.3	413.5	505.4
Syria	16.2	18.1	18.2	17.2	17.9	18.2	18.5
Turkmenistan	...	...	...	...	...	...	...
United Arab Emirates	15.4	18.7	21.3	28.0	77.9	53.7	58.1
Low-income countries	**7.5**	**11.0**	**13.6**	**18.4**	**23.3**	**27.8**	**31.4**
Afghanistan	0.8	1.3	1.7	2.1	2.8	3.0	2.9
Armenia	0.4	0.5	0.7	1.1	1.7	1.8	2.0
Djibouti	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Georgia	0.2	0.4	0.5	0.9	1.4	1.3	1.8
Kyrgyz Republic	0.4	0.5	0.6	0.8	1.2	1.4	1.5
Mauritania	0.0	0.0	0.1	0.2	0.2	0.3	0.3
Sudan	0.3	0.8	1.7	1.7	1.4	1.8	1.8
Tajikistan	0.1	0.1	0.1	0.1	0.1	0.3	0.3
Uzbekistan	1.5	2.1	2.9	4.7	7.5	10.1	12.3
Yemen	4.0	5.1	5.3	6.8	7.0	7.7	8.3
Emerging markets	**44.0**	**60.0**	**64.0**	**78.3**	**93.0**	**104.2**	**113.7**
Egypt	14.6	14.8	19.3	23.0	28.4	33.8	37.5
Jordan	3.7	4.8	4.7	6.2	6.9	7.9	8.0
Lebanon	7.1	9.6	9.6	11.4	11.5	16.7	18.7
Morocco	10.6	16.3	16.1	20.2	24.0	28.0	30.6
Pakistan	5.4	10.6	9.8	10.8	14.3	8.6	8.6
Tunisia	2.6	4.0	4.4	6.8	8.0	9.2	10.3
Memorandum							
CCA	**7.7**	**14.0**	**13.0**	**29.2**	**33.7**	**43.9**	**51.3**
MENA	**179.4**	**247.2**	**302.6**	**589.8**	**830.8**	**1,087.1**	**1,321.0**
Of which							
GCC	**51.6**	**62.1**	**67.0**	**277.2**	**420.1**	**517.7**	**625.2**
Maghreb	**55.9**	**89.4**	**116.1**	**163.8**	**221.7**	**319.8**	**406.4**

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

[1]Saudi Arabia Monetary Agency gross foreign assets.

Table 20. Total Gross External Debt

(In percent of GDP)[1]

	Average 2000–04	2004	2005	2006	Est. 2007	Proj. 2008	Proj. 2009
Middle East and Central Asia	**33.9**	**31.3**	**28.3**	**29.7**	**30.4**	**23.7**	**22.9**
Oil exporters	**24.0**	**21.9**	**20.2**	**23.9**	**27.0**	**20.3**	**19.9**
Algeria	37.5	25.6	16.7	4.8	3.8	2.6	2.4
Azerbaijan[2]	19.7	18.5	12.5	9.4	8.1	5.4	5.2
Bahrain[2]	7.4	10.5	9.0	7.6	6.8	5.9	5.7
Iran	10.5	14.3	13.2	10.4	9.1	6.1	4.7
Iraq	...	475.7	355.3	200.9	164.0	46.9	46.3
Kazakhstan	72.3	76.1	75.7	92.1	91.0	68.1	61.5
Kuwait	26.3	20.4	20.4	26.8	23.6	16.7	16.6
Libya	18.6	16.7	12.3	10.1	8.0	5.1	5.0
Oman	25.0	17.8	12.2	15.0	17.2	12.5	12.8
Qatar	68.6	47.3	48.1	52.4	64.6	53.2	52.5
Saudi Arabia	12.5	9.4	9.7	10.9	11.3	10.0	11.2
Syria	79.0	73.2	23.3	19.4	16.3	15.2	15.6
Turkmenistan	22.3	9.0	5.4	3.3	2.4	2.8	2.5
United Arab Emirates[3]	23.6	23.2	30.3	50.2	69.9	47.7	45.8
Low-income countries	**79.2**	**67.1**	**69.0**	**57.6**	**42.5**	**35.5**	**32.2**
Afghanistan	14.0	14.2	184.0	155.0	21.0	17.8	9.3
Armenia	40.6	33.1	22.4	18.9	17.1	13.5	12.1
Djibouti	58.5	67.8	62.0	56.6	59.3	55.3	55.7
Georgia	50.1	41.7	32.7	30.0	30.7	34.6	41.1
Kyrgyz Republic	111.4	95.2	85.5	77.7	61.1	46.2	39.2
Mauritania	233.7	210.8	132.9	94.1	96.1	58.9	53.8
Sudan	140.9	115.8	98.6	78.1	68.9	55.3	51.3
Tajikistan	97.7	55.8	50.9	42.2	40.6	37.1	39.1
Uzbekistan	38.5	36.0	28.9	22.6	17.5	15.4	13.7
Yemen	45.9	38.5	30.9	28.7	27.0	22.6	19.2
Emerging markets	**49.5**	**49.9**	**44.5**	**41.5**	**38.5**	**33.6**	**31.3**
Egypt	32.5	37.9	32.2	28.8	24.2	18.3	13.7
Jordan[4]	76.3	66.1	56.6	51.9	46.8	26.8	22.8
Lebanon	158.8	187.4	188.3	196.0	197.3	193.5	187.2
Morocco	38.5	29.1	24.2	23.9	23.8	20.1	19.3
Pakistan	41.6	34.0	31.1	28.1	26.1	24.7	27.0
Tunisia	67.2	69.1	62.3	59.9	57.6	50.4	50.2
Memorandum							
CCA	**57.5**	**59.0**	**55.1**	**62.8**	**59.7**	**44.3**	**39.3**
MENA	**31.6**	**29.1**	**25.1**	**26.0**	**27.6**	**21.4**	**20.7**
Of which							
GCC	**20.1**	**16.8**	**18.3**	**25.3**	**31.7**	**24.2**	**24.8**
Maghreb	**39.5**	**32.5**	**24.2**	**17.7**	**16.2**	**12.4**	**12.3**

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

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

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

[3]Mostly foreign liabilities of United Arab Emirates commercial banks and private institutions that are more than offset by their foreign assets. Over the period 2003–06, deposits of nonresidents in United Arab Emirates banks constituted around 17 percent of foreign liabilities on average.

[4]Excludes deposits of nonresidents held in the banking system.

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