Regional Economic Outlook UPDATE
May 2014
Middle East and Central Asia Department

Middle East, North Africa, Pakistan and Afghanistan: Turning the Corner?

Growth has been tepid across the Middle East and North Africa, Afghanistan, and Pakistan (MENAP) region. In 2013, declines in oil production held back growth in the oil-exporting countries. Weak private investment, amid political transitions and conflict, continued to take a toll on economic activity in the oil-importing countries. Growth is expected to strengthen this year in line with an improved global outlook. However, weak confidence and, in some cases, large public deficits will continue to weigh on the region's economic prospects. Deeper economic transformations are necessary to ensure robust and inclusive growth and creation of enough jobs for the rapidly-growing labor force.

The region's economies are strengthening. Last year's tepid growth in MENAP oil exporters is expected to improve as oil production and exports respond to the global economic recovery, while high levels of public capital spending and accelerating private sector credit continue to support the non-oil economy. In MENAP oil importers, modest growth is anticipated to continue but its drivers may begin to change. Consumption, financed by remittances and large public sector wage spending, will continue to buoy growth. But planned investment could start stimulating economic activity as a result of increased public spending on infrastructure and improved confidence as political transitions progress.

Nevertheless, a variety of domestic and regional factors will continue impeding investor confidence in the oil-importing economies, especially the Arab Countries in Transition (Egypt, Jordan, Libya, Morocco, Tunisia, Yemen). The drag from unresolved structural problems and governance issues weighs on the business environment, and in some cases, hinders full realization of gains to exports, tourism, and FDI following improved trading partner growth. Persistently high unemployment is spurring social tensions, often manifested in labor strikes. Domestic security concerns and regional economic and social spillovers from the conflict in Syria (see Box 1) add to these challenges.

Oil-exporting countries face a longer-term challenge of reducing reliance on oil. Increased oil supply from unconventional sources and rising energy efficiency are placing downward pressures on oil prices, which are also volatile due to fluctuations in expectations of global demand growth and geopolitical risks. Indeed, declining oil revenues have contributed to a downward trend in fiscal surpluses in oil-exporting countries in recent years, as did increased public spending, including spending on wages and energy subsidies. Economic diversification would not only reduce volatility of output and fiscal revenues but also strengthen economic growth potential and create private sector jobs for the rapidly growing labor force.

Extensive structural reforms would help boost confidence and tap into the region's vast potential for high and sustained non-oil growth and jobs. Realizing this potential requires a credible reform agenda with broad public support, spanning a multitude of areas, to create better conditions for entrepreneurship and achieve higher living standards. The region represents a vast market with a young population and a large labor force, where many on the job market have attained secondary or tertiary education levels. Government partnerships with large investors to reform vocational training and align skills with job market needs, particularly for women and the youth, could help tackle persistent unemployment while improving productivity. At the same time, reducing large energy subsidies (while improving the targeting of social support) could help re-orient production away from energy-intensive industries towards those that promote job creation. Although some reforms take time to affect economic outcomes, setting them in motion now would signal policy direction and enhance competitiveness.

A stable macroeconomic environment is important for the success of such structural transformations. In many MENAP oil importers, fiscal consolidation and exchange rate flexibility will be necessary to preserve macroeconomic stability, instill confidence, improve the availability of bank credit to finance private investment, raise competitiveness, and mobilize external financing. For non-GCC oil exporters, further strengthening of fiscal and external positions will be central to reducing their vulnerabilities to a potential oil price decline. For both groups of countries, it will be important to undertake these efforts in a socially balanced manner, supported by adequate measures to protect the poor and vulnerable.

Continued support from the international community can facilitate economic transformations and support macroeconomic stability. Bilateral and multilateral financing can help alleviate fiscal pressures and provide an opportunity for gradual macroeconomic adjustment, giving countries time to develop sound structural reform plans and build consensus for them. As a result, official financing can help catalyze private financing.

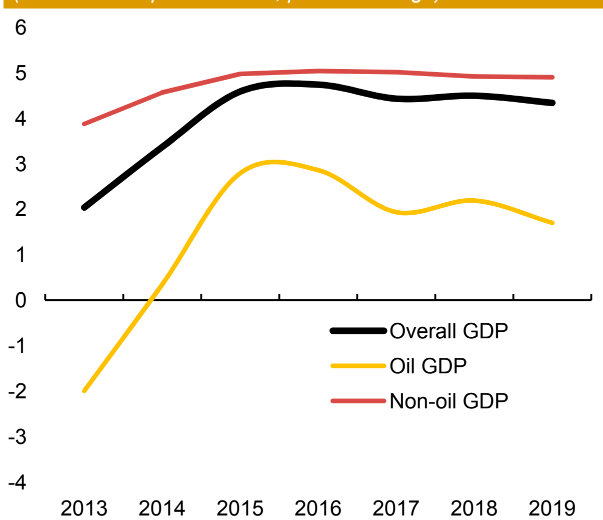
The international community can also provide support through technical advice, other capacity-building initiatives, and enhanced access to export markets for the region's products and services. Recent IMF arrangements, committing almost $10 billion in Jordan, Morocco (a credit line against external shocks), Pakistan, and Tunisia, aim to support countries' reform efforts and macroeconomic adjustment.

MENAP Oil-Exporting Countries

Steady Expansion of Economic Activity; Oil Production Recovering

GDP growth in MENAP oil exporters will rise from 2 percent in 2013 to 3½ percent in 2014 as non-oil activity remains robust and oil production stabilizes. The non-oil sectors, particularly construction and retail trade, will continue to drive economic activity, supported by high levels of public infrastructure spending and strong private sector credit in the GCC,[1] and by post-conflict reconstruction in the non-GCC[2] countries. Iran's economy is expected to stabilize in 2014 after recent improvements in the outlook, particularly on the external front, and on the back of impetus provided by the past real exchange rate depreciation.

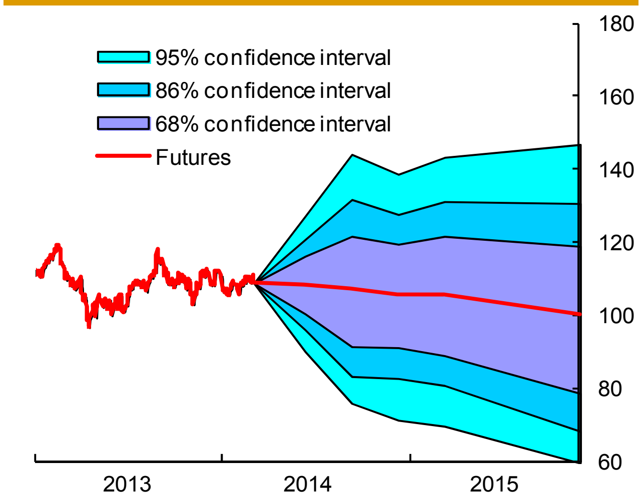
Non-oil activity is the main growth driver
(MENAP oil exporters: GDP, percent change)



Sources: National authorities; and IMF staff calculations.

Oil and gas output is expected to remain broadly stable in 2014. GCC production will rise owing to strengthening global demand, challenges in restoring oil production in the non-GCC countries (particularly Libya), and a decline in global oil inventories caused in part by cold weather in North America. However, a future recovery in non-GCC oil production and ongoing growth from unconventional sources in North America may weigh on GCC oil output and global oil prices. Futures markets suggest the price of crude could decline by about $6 per barrel between 2013 and 2015.

Uncertain oil prices are expected to fall
(Brent crude oil price, U.S. dollars per barrel[1])



Sources: Bloomberg; and IMF staff calculations.
[1] Derived from prices of futures and options on March 4, 2014.

External Factors Contain Inflation

Inflation pressures are likely to remain subdued in most MENAP oil exporters. In the GCC countries, softening import prices and a steady supply of low-wage expatriate workers will keep inflation at 3 percent in 2014. A rapid rise in housing costs in the United Arab Emirates (particularly Dubai), in part due to a recovery in the real estate sector supported by the recent

[1] The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

[2] The non-GCC oil-exporting countries are Algeria, Iran, Iraq, Libya, and Yemen.

winning of the World Expo 2020 contract, nonetheless warrants careful monitoring for overheating. Qatar's inflationary pressures appear contained despite its large public investment program to advance economic diversification and prepare for the 2022 soccer World Cup, but policymakers there also need to remain vigilant. Non-GCC inflation is high, mainly because of Iran and Yemen, but is expected to gradually decline from 22 percent in 2013 to 15 percent in 2014 with the ongoing tightening of monetary policy.

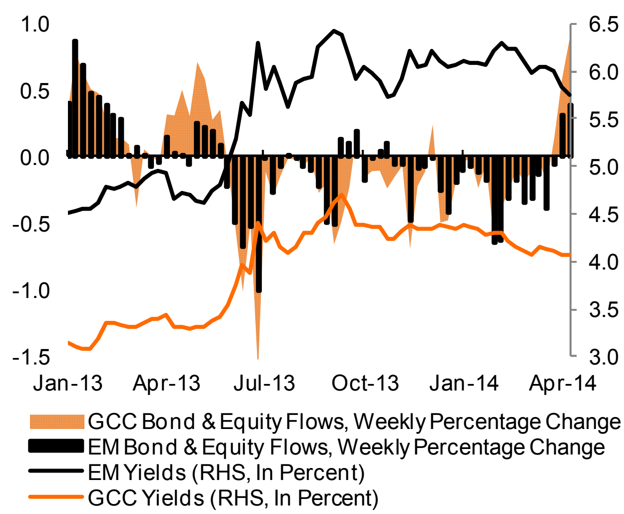
Risks Are Broadly Balanced

Risks center on the outlook for oil prices and production. On the downside, oil prices are prone to the risk of weaker-than-expected growth of global demand. Emerging markets may continue to experience higher financial market volatility and capital outflows as the Federal Reserve continues to unwind unconventional monetary policy. A new risk to global activity is low inflation in advanced economies, especially the euro area, which could de-anchor inflation expectations, increase real interest rates, and raise debt burdens. Higher-than-expected North American or non-GCC oil production would also place downward pressure on oil prices and GCC output.

Any increases in regional or geopolitical tensions entail upward risks for oil and gas prices. Algeria's gas exports to Europe may rise if supply through Ukraine is disrupted. If the unstable political situation in Libya deteriorates or security disruptions in Iraq intensify, oil production in these countries would be lower than projected. If such shortfalls materialize, higher oil prices would likely increase oil revenues for the MENAP oil exporters as a group.

A larger-than-expected tightening in global financial conditions should be generally manageable. In the region, pegged exchange rates in many countries mean that domestic policy rates track international rates. Yields rose in response to the May 2013 tapering announcement by the Federal Reserve, but have been stable since, even during the emerging market sell-off in early 2014. With investors increasingly differentiating across emerging markets, the large buffers and low financing requirements of the GCC countries put them in a position of relative strength. Qatar and the United Arab Emirates in particular have benefitted from their status as regional safe havens.

GCC countries weathered the EM sell-off
(Bond and equity flows and yields)



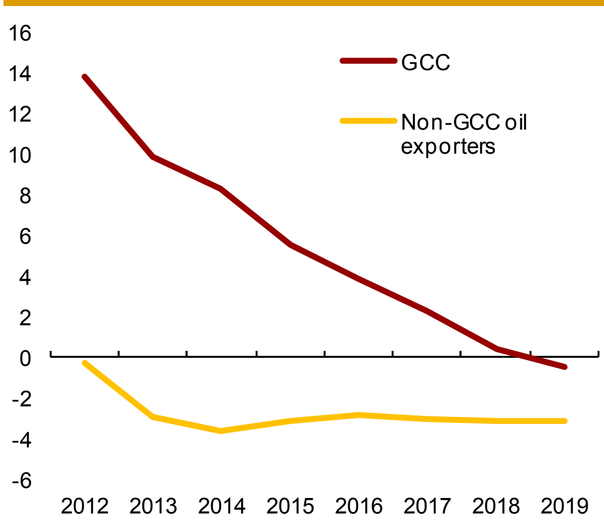
Sources: EPFR; Bloomberg; and IMF staff calculations.

Tighter financial conditions may affect Bahrain and the United Arab Emirates (particularly Dubai). In Bahrain, where fiscal vulnerabilities led to a downgrade in the sovereign rating, sovereign borrowing costs would rise. Debt rollover might also be affected for some of Dubai's government-related entities that rely on external financing.

Resilience to Shocks Is Declining

Large buffers would enable most GCC countries to withstand even large shocks to oil revenues over the near term. However, their fiscal surpluses are set to decline over time, in part because of rising public wage bills, falling oil prices, and, in some countries, generous energy subsidies in some countries that raise domestic consumption at the expense of exports. An adverse shock to global demand would hasten the turning point in fiscal balances. Given its traditional role in stabilizing the oil market, Saudi Arabia would run a fiscal deficit in 2015 if it were to scale back output by 7 percent, assuming no expenditure adjustment. Bahrain's and Oman's fiscal positions are already relatively weak. These countries need oil prices above $100 per barrel to balance their budgets.

Fiscal balances are on a declining trend
(Fiscal balances, percent of GDP)



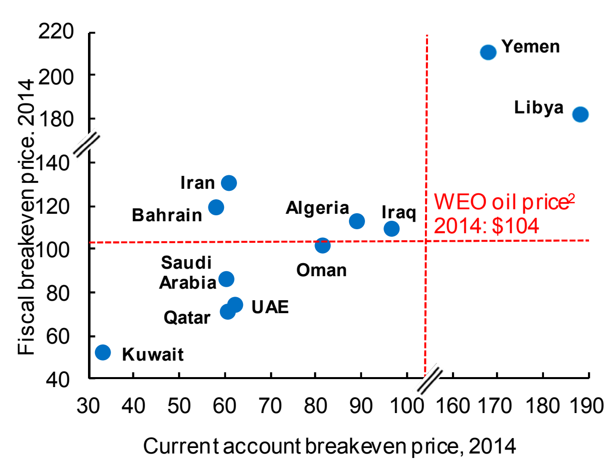
Sources: National authorities; and IMF staff calculations.

Non-GCC oil exporters are more vulnerable to oil shocks than the GCC. Fiscal deficits have been a chronic problem in these countries, and will deteriorate if projected increases in non-GCC oil production do not materialize. Although external positions have recently improved, most non-GCC countries would have a current account deficit if the oil price were to fall to $85 or below, which options markets imply has a one-in-six chance of happening by end-2014.

Fiscal Tightening Is Needed

Amid steady non-oil growth, many countries are appropriately withdrawing the fiscal stimulus put in place during the global financial crisis and the Arab Spring. Iran is an exception: government spending there needs to balance supporting domestic demand and helping disinflation. Over the medium term, fiscal consolidation would help countries increase their resilience to shocks and preserve wealth for future generations. In many MENAP oil exporters, energy subsidy costs exceed 10 percent of GDP. Their reduction would free resources for productivity-enhancing spending on education, research, and development; improve incentives for development of industries not relying on oil; and would promote equity, because subsidies tend to benefit the rich and are less efficient in addressing poverty than well-targeted social support.

Most countries vulnerable to cheaper oil
(Breakeven oil prices, U.S. dollars per barrel)[1]



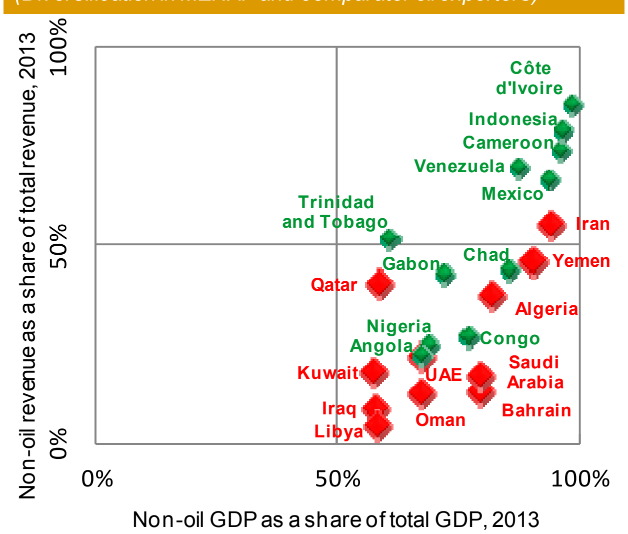
Sources: National authorities; and IMF staff calculations.
[1] 2013 breakeven prices for Yemen.
[2] Simple average of UK Brent, Dubai, and West Texas Intermediate spot prices.

Diversifying Economies, Creating Private Sector Jobs

Reducing reliance on oil would raise productivity growth, strengthen economic potential, and reduce volatility of output. Many countries have made progress in diversification, as reflected in the rising share of non-oil output in total GDP. Yet the share of non-oil revenues in total revenues remains low. Exploring alternative sources of tax revenues, such as corporate income or value-added taxes structured in a way that does not undermine diversification efforts, would reduce reliance on oil. In the GCC, diversification can be aided by shifting attention from the quantity to the quality of capital spending, increasing access to finance for small and medium-sized private enterprises, developing local debt markets, and increasing female labor force participation. In the non-GCC countries, better infrastructure and an improved security and business environment are critical prerequisites for diversification.

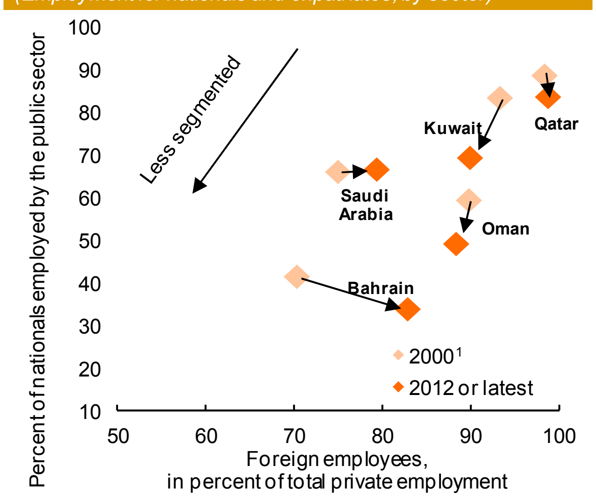
Creating productive jobs in the private sector for rapidly growing populations is another important medium-term challenge. Some countries in the GCC are already taking steps in this direction, but it is too soon to gauge the effectiveness of these measures, and labor markets remain starkly segmented. On current trends, there may only be enough private sector jobs in the GCC for one third of nationals entering the labor market. Public sector hiring is not the solution to the jobs shortfall because of rising fiscal pressures. Instead, countries need to stimulate private sector employment by enhancing the quality of education and its relevance to the needs of the private sector, and by improving working conditions for expatriate labor while enhancing the attractiveness of employment in the private sector for nationals.

Non-oil revenues remain low
(Diversification in MENAP and comparator oil exporters)



Sources: National authorities; and IMF staff calculations.

Labor markets are segmented
(Employment for nationals and expatriates, by sector)



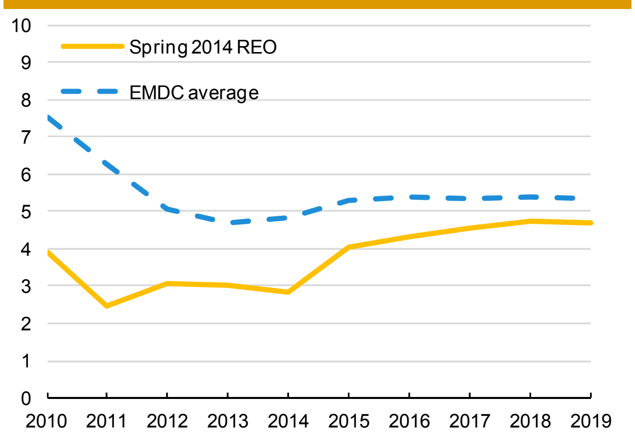
Sources: National authorities; and IMF staff calculations.
[1] 2006 is earliest for Qatar. UAE data only available for 2009.

MENAP Oil-Importing Countries

Weak Confidence Continues to Hamper Growth and Job Creation

Growth in MENAP oil importers[3] remained tepid in 2013. Hovering at 3 percent last year, it has not yet caught up to the historical average, which is close to 5 percent. Even if it did, growth would be insufficient to reduce persistently high unemployment and improve living standards in the region. A substantial growth spurt that would bring the growth rate to at least the average of other emerging and developing economies is needed to reduce economic strife in the region and make a meaningful dent in unemployment. Achieving this will require a boost in job-creating investment and exports, grounded in structural changes that raise economic potential.

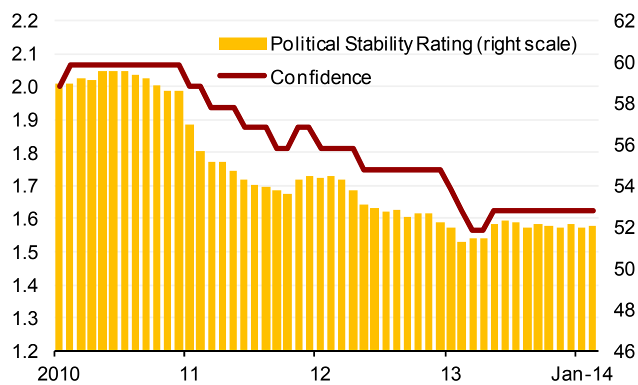
Significantly higher real GDP growth is needed
(Percent)



Sources: National authorities; and IMF staff calculations.
Note: EMDC = emerging market and developing countries.

Political uncertainty and security challenges continued to weigh on economic activity. A gamut of domestic factors has been impeding confidence, including difficult political transitions, drag from unresolved structural problems, and intensifying social unrest and security issues. In addition, Syria's conflict has had broad regional implications, causing large refugee inflows and trade disruptions in neighboring countries (particularly, Iraq, Jordan, and Lebanon, see Box 1). These spillovers have fueled sectarian tensions and have crowded out some nationals from public services, labor and housing markets.

Confidence has deteriorated in tandem with declining political stability[1]



Sources: PRS Group; and IMF staff calculations.
[1]Higher values of the political stability rating correspond to greater political stability, and confidence is represented by consumer confidence. Excludes Afghanistan, Djibouti, Mauritania, and Somalia.

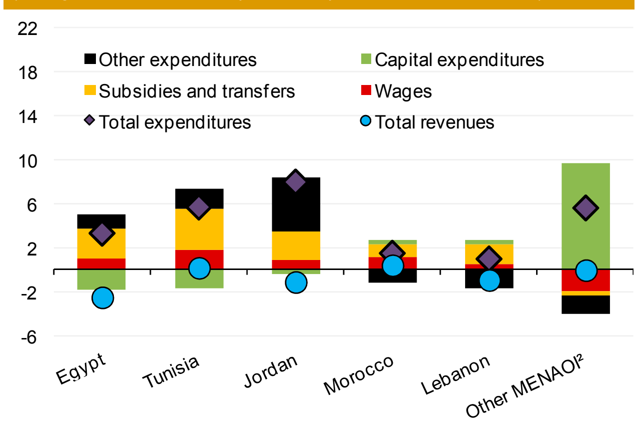
Growth was driven mainly by domestic demand in 2013. Although unemployment remained high, large remittance inflows, subsidies, and public wage spending continued to support consumption. Investment remained subdued, reflecting weak confidence. The external sector did not contribute much to growth because of low competitiveness (in some cases due to overvaluation) and large import bills. Djibouti and Mauritania were exceptions to these trends, their economies driven, respectively, by large-scale infrastructure investment and strengthened mining and agricultural capacity.

[3] Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, and Tunisia.

Fiscal and External Positions Remain Vulnerable

Public debt continued to climb in 2013, prompting some countries to start putting their fiscal houses in order. Tax revenues remain weak amid tepid economic activity, and large subsidies and public wage bills have grown to dominate spending over the past three years. With few buffers left and in spite of political challenges, many countries initiated subsidy reforms accompanied by improved targeting of social protection. The pace of subsidy reforms has varied, with the most ambitious reforms in Jordan and Pakistan creating space for growth-enhancing capital and social spending. At the other end of the spectrum, Egypt managed to maintain large subsidies and even raise public wages with the help of GCC financing.

Public spending on wages and subsidies has risen[1]
(Change in revenue and expenditure; percent of GDP, 2010–13)

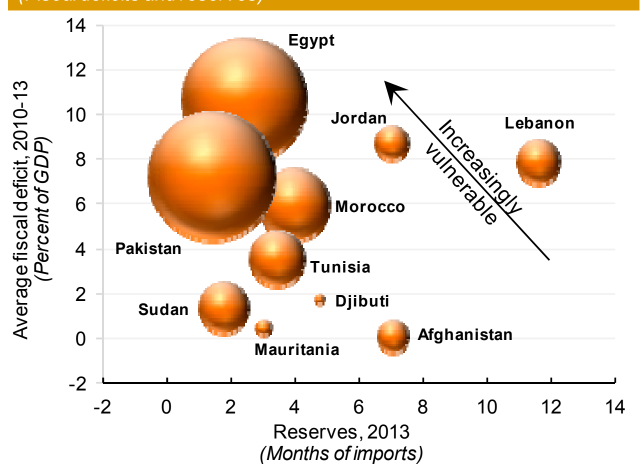


Sources: National authorities; and IMF staff calculations.
[1]Data projections from 2011 onwards exclude Syria.
[2]Due to data limitations Pakistan is not included.

Large external vulnerabilities lingered in 2013, although a better external environment and donor financing brought some relief. Exports, tourism, and foreign direct investment (FDI) improved gradually in line with better global, particularly euro area, conditions; however, serious security concerns inhibited gains for Egypt and Tunisia, especially in tourism. Easing commodities prices reduced mining exports for Jordan and Morocco, yet contained growth of the region's large import bill. In some cases, pressures on international reserves were compounded by large debt payments and reduced bank inflows (though small in size) due to higher international funding costs as a result of Fed tapering. GCC financial support and some exchange rate flexibility arrested further deterioration of external positions, albeit temporarily.

Stock market and banking sector activity remained lackluster because of weak credit demand and high credit risk. Nonetheless, banks remained well-capitalized and profitable, in part owing to large holdings of government bonds. Nonperforming loans have stabilized. Reliance on domestic financing helped governments contain borrowing costs.

External and fiscal vulnerabilities are high[1]
(Fiscal deficits and reserves)



Sources: National authorities; and IMF staff calculations.
[1]Bubble size reflects relative PPP GDP in 2013.

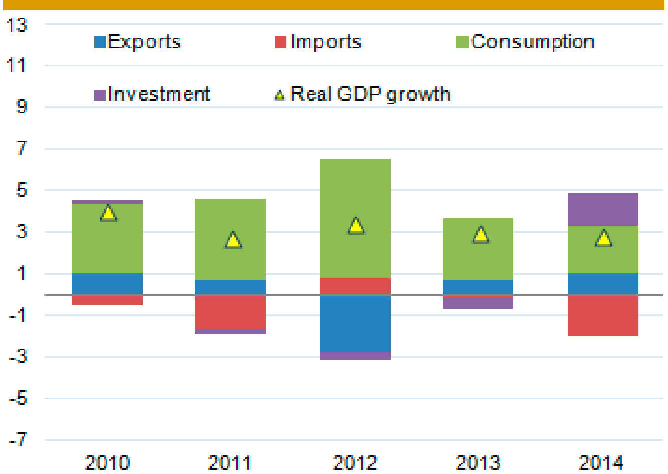
Inflation declined in 2013 because of slow economic activity and, in some cases, monetary tightening. The phasing out of energy subsidies and the monetization of fiscal deficits put upward pressure on inflation. Elevated demand from refugees (Lebanon) and exchange rate depreciation (especially in Sudan) also contributed. Nonetheless, negative output gaps and, in some cases (particularly Pakistan), tight monetary policy helped contain these pressures, resulting in lower inflation for the region.

Nascent Improvements in Underlying Growth Dynamics

Economic growth will remain subdued in 2014, yet its sources will broaden. Although consumption will remain the main driver of growth, for the first time since the start of the Arab Awakening, investment is expected to rise. Exports and tourism are also anticipated to strengthen because of higher demand in trading partner countries, particularly Europe and the GCC.

Public investment will rise across the region thanks to donor financing and recent subsidy reforms. GCC financing enabled Egypt to launch public and social infrastructure projects and clear arrears. Other countries (Morocco, Pakistan, Tunisia, Jordan) plan to increase public investment while reducing generalized subsidies and improving the targeting of social assistance.

Consumption-driven growth with rising contributions from investment
(Contributions to real GDP; percent)



Sources: National authorities; and IMF staff calculations.

Private investment is also expected to strengthen, albeit more gradually and conditional on reform implementation and improved confidence. As political transitions mature, uncertainty is likely to decline. Recently adopted constitutions in Tunisia and Egypt, the formation of a unity government in Lebanon, and stable governments in Jordan, Morocco, and Pakistan are positive signs. In addition, recent structural reforms are starting to gain traction and signal governments' future policy direction. For example, Morocco's diversification efforts have helped increase exports and FDI in high-value-added industries. In Pakistan, improvements in energy supply have enabled firms to increase production in response to strengthening export demand. In contrast, political and policy uncertainty continue to dampen private investment in Egypt. In some cases, more flexible exchange rates can help improve competitiveness and, subsequently, investment.

Fiscal drag is expected to be small in 2014. Subsidy reforms underpinning consolidation are proceeding at a gradual pace. Related targeted social assistance is helping minimize the adverse impact on consumption. Reallocation of resources to public investment is likely to facilitate job creation. Tax revenue measures center on elimination of exemptions, addressing loopholes, and strengthening administration, ultimately improving the business environment. Fiscal consolidation should also help enhance confidence by increasing policy buffers and improving the availability of bank credit to finance private investment. However, to be successful, gradual fiscal consolidation needs to be anchored in credible medium-term plans. Availability of external and domestic financing is critical for consolidation to proceed at a measured pace.

The region's inflation will remain above 8½ percent, with upward pressures from energy subsidy phase-outs partially offset by declining global food and energy prices. Policymakers will need to carefully balance the use of accommodative monetary policies to soften the adverse impact of fiscal consolidation on growth against keeping inflation expectations in check.

Recovery Is Fragile

This outlook is subject to significant downside risks from domestic and regional factors. Setbacks in political transitions, intensification of social and security tensions, and spillovers from regional conflicts could damage confidence and threaten macroeconomic stability. Smaller upside risks relate to the possibility of faster progress in political transitions and economic reforms, which could boost confidence and growth.

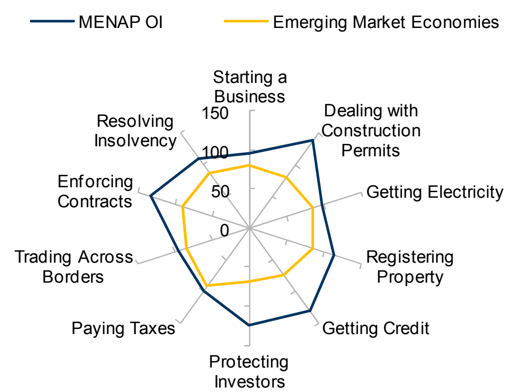
External risks are also tilted to the downside. Lower-than-expected growth in emerging economies, Europe, or the GCC could slow exports. If global financial conditions were to tighten sharply, for example, as a result of faster-than-expected Fed tapering, higher domestic interest rates in countries with limited exchange rate flexibility could hurt private credit and investment, and higher external financing costs may weaken FDI and other inflows. Reliance on domestic sources of financing, official donor flows, and external bond guarantees as well as long-term FDI flows, would help contain these effects. Sovereign rollover risk, in most countries, is unlikely to be affected much because governments' financing costs are already very high owing to large risk premiums.

Enhancing Growth Potential and Competitiveness, and Creating Jobs

For recovery to gain momentum and develop into sustainably higher growth, structural impediments to private economic activity have to be tackled. A weak business and legal environment, and limited access to bank credit, in some countries, hinder private sector growth, especially for small and medium-sized enterprises. In addition, highly subsidized energy prices, as in Egypt, distort production in favor of energy-intensive industries that do not promote job creation. Reforms addressing all of these impediments can accelerate productivity and boost private sector investment and export competitiveness.[4] Most importantly, these reforms can create jobs. Starting from a low base, reforms can have early benefits, as demonstrated by recent successes in Morocco and Pakistan discussed above.

Structural reforms need to target the most significant impediments, in particular bureaucratic inefficiency and corruption, tax systems that do not support competitiveness, difficulties and inequities in access to finance, low female labor force participation, and labor regulations that are unsupportive of job creation.

Many avenues to improve the business environment[1]



Sources: World Bank, Ease of Doing Business Rankings, 2014; and IMF staff calculations.
[1]Economies are ranked from 1 to 183, with first place being the best.

Many of the necessary reforms are difficult to implement during political transitions; yet some can be pursued immediately and would help improve confidence, for example, streamlining business regulations (to start a business, register property, or obtain permits and electricity), training the unemployed and unskilled, improving customs procedures, and deepening trade integration.

[4] A roadmap for such economic transformations can be found in "Toward New Horizons: Arab Economic Transformation Amid Political Transitions," available at www.imf.org.

Box 1. Regional Spillovers from the Syrian Conflict

The Syrian crisis has led to heightened risks for regional stability, with adverse socio-economic, political, and security implications for neighboring countries.

The humanitarian cost of the Syrian crisis is tragic. Moreover, the Syrian economy has been devastated by the conflict, GDP is estimated to have contracted by over 40 percent since the start of the conflict, and over half of the labor force has become unemployed.

Syria: Status of Refugees
(Latest available data)

	Number	Share in Host Country's Population (%)
Total population (million)	22.5	…
Internally displaced (million)	6.5	…
In need of humanitarian assistance (million)	9.3	…
Total refugees, of which 1/:	2,692,811	…
Lebanon	1,014,070	22.7
Jordan	589,792	9.0
Iraq	219,579	0.6

Sources: UN Refugee Agency; and IMF World Economic Outlook.
1/ Figures reflect the number of refugees registered or awaiting registration.

The crisis is straining Jordan's fiscal, social and economic conditions. USAID estimates the direct costs to meet the humanitarian needs at about 1 percent of GDP for each 2013 and 2014 for the public sector, including for increased security outlays and healthcare. The Fund-supported program accommodates these costs. The increased demand by refugees has raised housing costs and strained the labor market, particularly in the informal sector, while the Syrian export routes have been disrupted and investor sentiment weakened. While transfers through the U.N. agencies and from private citizens abroad have mitigated the economic impact, as did a reorientation of GCC tourists from other countries in the region, staff estimates losses to output growth at one percentage point in 2013.

Lebanon's economy has been hit hard, and social tensions have increased. Real GDP growth is estimated to have declined from 9 percent on average during 2009–10 to 1 percent in 2013, largely due to a sharp decline in tourism and real estate, and is projected to remain unchanged this year. Bank deposit growth has moderated to 7–8 percent annually from 18 percent on average during 2009–10, while FDI inflows have declined. Deposit inflows have continued though to cover the financing needs, reserves remain substantial, and the direct impact on the banking sector has been contained. The World Bank estimated the fiscal impact of the crisis in 2012–14 at over $2 billion (4½ percent of GDP), with an additional $2.5 billion needed to restore the quality of public services to the pre-crisis level. The large inflow of refugees has weighed on local communities and has fueled social tensions. The World Bank projects the unemployment rate to double to over 20 percent this year. Income inequality has risen as Syrian refugees accept much lower wages than Lebanese workers.

Iraq's security conditions and trade with Syria have been severely affected. Security spillovers from Syria have contributed to a severe escalation of violence in Iraq, and boosted security and social government spending. Moreover, the worsening security situation has affected non-oil growth, which is expected to decline to 4 percent in 2014 from an average of 8 percent in 2009-13. The war has brought imports by Iraq from and through Syria almost to a halt, down from 15-20 percent of total imports prior to the conflict. Food supply has been affected, contributing to an uptick in food inflation recently.

MENAP Region: Selected Economic Indicators, 2000–15

(Percent of GDP, unless otherwise indicated)

	Average 2000–08	2009	2010	2011	2012	2013	Projections 2014	2015
MENAP[1]								
Real GDP (annual growth)	5.6	2.8	5.2	3.9	4.2	2.4	3.2	4.4
Current Account Balance	9.7	1.7	6.5	13.1	12.6	9.5	8.0	6.1
Overall Fiscal Balance	3.7	-2.8	-0.7	1.2	1.8	-0.7	-0.7	-1.4
Inflation, p.a. (annual growth)	7.2	7.1	6.9	9.9	10.9	11.0	8.8	8.6
MENAP oil exporters								
Real GDP (annual growth)	5.9	2.3	5.9	4.6	4.7	2.0	3.4	4.6
Current Account Balance	14.0	4.3	10.1	18.3	18.4	14.1	11.9	9.7
Overall Fiscal Balance	8.4	-1.5	2.1	5.3	6.8	3.6	2.6	1.4
Inflation, p.a. (annual growth)	8.1	5.3	6.1	9.8	11.8	12.2	8.7	8.6
***Of Which:* Gulf Cooperation Council**								
Real GDP (annual growth)	6.1	0.9	6.4	7.7	5.6	4.1	4.2	4.4
Current Account Balance	15.9	6.6	12.4	23.6	24.0	20.2	18.3	15.6
Overall Fiscal Balance	13.3	-0.6	3.6	11.6	13.8	9.9	8.3	5.6
Inflation, p.a. (annual growth)	2.9	2.8	2.6	3.1	2.4	2.9	3.0	3.2
MENAP oil importers								
Real GDP (annual growth)	5.1	3.8	3.9	2.5	3.1	3.0	2.8	4.1
Current Account Balance	-1.3	-4.8	-3.2	-3.6	-6.0	-4.6	-4.0	-4.8
Overall Fiscal Balance	-4.7	-5.1	-5.9	-7.0	-8.3	-9.3	-7.2	-6.9
Inflation, p.a. (annual growth)	5.7	10.4	8.5	10.1	9.1	8.6	8.8	8.6
MENA[1]								
Real GDP (annual growth)	5.7	3.0	5.5	3.9	4.1	2.2	3.2	4.5
Current Account Balance	10.6	2.2	7.1	14.1	13.7	10.3	8.7	6.6
Overall Fiscal Balance	4.7	-2.5	-0.1	2.3	3.2	0.3	-0.1	-1.0
Inflation, p.a. (annual growth)	7.4	5.9	6.6	9.4	10.9	11.5	8.8	8.6
MENA oil importers								
Real GDP (annual growth)	5.1	5.0	4.4	1.7	2.0	2.7	2.7	4.2
Current Account Balance	-1.4	-4.7	-3.7	-5.4	-8.0	-6.4	-5.5	-6.4
Overall Fiscal Balance	-5.4	-5.3	-6.0	-7.2	-8.5	-10.3	-8.5	-8.5
Inflation, p.a. (annual growth)	5.5	7.3	7.9	8.2	8.2	9.4	8.9	8.4
Arab countries in transition (excl. Libya)								
Real GDP (annual growth)	4.9	4.5	4.7	1.1	2.5	2.8	2.9	4.3
Current Account Balance	0.4	-3.7	-3.1	-5.0	-6.2	-4.5	-3.8	-5.1
Overall Fiscal Balance	-5.4	-5.8	-6.2	-7.9	-8.9	-11.1	-9.0	-9.1
Inflation, p.a. (annual growth)	5.9	7.7	8.3	8.0	5.9	7.4	8.4	8.5

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

[1]2011–15 data exclude Syrian Arab Republic.

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

MENAP Oil exporters: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen;

MENAP Oil importers: Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, Syria, and Tunisia.

MENA: MENAP excluding Afghanistan and Pakistan.

Arab countries in transition (excl. Libya): Egypt, Jordan, Morocco, Tunisia, and Yemen.

MENAP Oil Exporters: Selected Economic Indicators

	Average 2000–08	2009	2010	2011	2012	2013	Projections 2014	2015
Real GDP Growth	**5.9**	**2.3**	**5.9**	**4.6**	**4.7**	**2.0**	**3.4**	**4.6**
(Annual change; percent)								
Algeria	4.1	1.6	3.6	2.8	3.3	2.7	4.3	4.1
Bahrain	6.0	2.5	4.3	2.1	3.4	4.9	4.7	3.3
Iran, I.R. of	5.4	3.9	5.9	2.7	-5.6	-1.7	1.5	2.3
Iraq	…	5.8	5.5	10.2	10.3	4.2	5.9	6.7
Kuwait	6.9	-7.1	-2.4	6.3	6.2	0.8	2.6	3.0
Libya	5.1	-0.8	5.0	-62.1	104.5	-9.4	-7.8	29.8
Oman	5.1	3.3	5.6	4.5	5.0	5.1	3.4	3.4
Qatar	12.4	12.0	16.7	13.0	6.2	6.1	5.9	7.1
Saudi Arabia	5.1	1.8	7.4	8.6	5.8	3.8	4.1	4.2
United Arab Emirates	6.2	-4.8	1.7	3.9	4.4	4.8	4.4	4.2
Yemen	4.2	3.9	7.7	-12.7	2.4	4.4	5.1	4.4
Consumer Price Inflation	**8.1**	**5.3**	**6.1**	**9.8**	**11.8**	**12.2**	**8.7**	**8.6**
(Year average; percent)								
Algeria	2.9	5.7	3.9	4.5	8.9	3.3	4.0	4.0
Bahrain	1.4	2.8	2.0	-0.4	2.8	3.3	2.5	2.4
Iran, I.R. of	15.2	10.8	12.4	21.5	30.5	35.2	23.0	22.0
Iraq	30.9	-2.2	2.4	5.6	6.1	1.9	1.9	3.0
Kuwait	2.8	4.6	4.5	4.9	3.2	2.7	3.4	4.0
Libya	4.4	2.4	2.5	15.9	6.1	2.6	4.8	6.3
Oman	2.5	3.5	3.3	4.0	2.9	1.3	2.7	3.1
Qatar	6.9	-4.9	-2.4	1.9	1.9	3.1	3.6	3.5
Saudi Arabia	1.4	4.1	3.8	3.7	2.9	3.5	3.0	3.2
United Arab Emirates	6.0	1.6	0.9	0.9	0.7	1.1	2.2	2.5
Yemen	11.8	3.7	11.2	19.5	9.9	11.1	10.4	9.8
General Gov. Overall Fiscal Balance	**8.4**	**-1.5**	**2.1**	**5.3**	**6.8**	**3.6**	**2.6**	**1.4**
(Percent of GDP)								
Algeria	7.3	-6.8	-1.8	-1.2	-4.1	-1.8	-1.9	-2.9
Bahrain[1]	1.7	-5.6	-5.8	-1.5	-3.2	-4.4	-4.3	-4.8
Iran, I.R. of[2]	3.0	0.9	1.2	-1.4	-2.0	-2.2	-2.5	-2.6
Iraq	…	-12.7	-4.2	4.7	4.1	-5.9	-2.0	0.1
Kuwait[1]	28.5	26.8	24.5	33.3	33.4	28.7	25.2	22.2
Libya	16.7	5.2	15.9	-9.0	25.9	-1.3	-30.4	-18.8
Oman[1]	10.8	-0.3	5.5	9.1	4.5	5.8	0.6	-3.0
Qatar	9.1	13.1	2.7	6.6	9.6	11.3	7.7	4.9
Saudi Arabia	13.0	-4.1	2.1	12.0	14.6	8.3	7.1	4.0
United Arab Emirates[3]	9.3	-13.1	-1.9	4.1	8.5	7.1	7.9	6.8
Yemen	-1.2	-10.2	-4.0	-4.5	-6.4	-7.1	-6.7	-6.6
Current Account Balance	**14.0**	**4.3**	**10.1**	**18.3**	**18.4**	**14.1**	**11.9**	**9.7**
(Percent of GDP)								
Algeria	16.8	0.3	7.5	9.9	6.0	0.4	0.5	-1.3
Bahrain	6.6	2.4	3.0	11.2	7.3	12.0	10.4	9.4
Iran, I.R. of	6.2	2.6	6.5	11.0	6.6	8.1	5.2	2.8
Iraq	…	-8.0	3.0	12.0	6.7	0.0	1.0	1.2
Kuwait	31.0	26.7	30.8	41.8	43.2	38.8	37.4	34.2
Libya	27.2	14.9	19.5	9.1	35.4	-2.8	-27.7	-16.7
Oman	9.5	-1.3	10.0	15.3	11.6	9.7	7.8	2.5
Qatar	20.5	6.5	19.0	30.3	32.4	29.2	25.4	20.5
Saudi Arabia	17.0	4.9	12.7	23.7	22.4	17.4	15.8	13.3
United Arab Emirates	9.1	3.1	2.5	14.6	17.3	14.9	13.3	12.4
Yemen	2.3	-10.1	-3.4	-4.0	-1.3	-2.7	-1.5	-2.7

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

[1]Central government.

[2]Central government and National Development Fund excluding Targeted Subsidy Organization.

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

Note: Variables reported on a fiscal year basis for Iran (March 21/March 20) and Qatar (April/March).

MENAP Oil Importers: Selected Economic Indicators

	Average 2000–08	2009	2010	2011	2012	2013	Projections 2014	Projections 2015
Real GDP Growth	**5.1**	**3.8**	**3.9**	**2.5**	**3.1**	**3.0**	**2.8**	**4.1**
(Annual change; percent)								
Afghanistan, Rep. of	…	20.6	8.4	6.5	14.0	3.6	3.2	4.5
Djibouti	3.4	5.0	3.5	4.5	4.8	5.0	6.0	6.5
Egypt	5.0	4.7	5.1	1.8	2.2	2.1	2.3	4.1
Jordan	6.6	5.5	2.3	2.6	2.7	3.3	3.5	4.0
Lebanon	4.2	10.3	8.0	2.0	1.5	1.0	1.0	2.5
Mauritania	4.2	-1.2	4.3	4.0	7.0	6.7	6.8	6.5
Morocco	4.7	4.8	3.6	5.0	2.7	4.5	3.9	4.9
Pakistan	5.2	0.4	2.6	3.7	4.4	3.6	3.1	3.7
Sudan[1]	8.1	4.7	3.0	-1.2	-3.0	3.4	2.7	4.6
Syrian Arab Republic[2]	4.2	5.9	3.4	...	...	...	...	...
Tunisia	4.7	3.1	2.9	-1.9	3.6	2.7	3.0	4.5
West Bank and Gaza[3]	1.3	7.4	9.3	12.2	5.9	1.5	2.5	2.7
Consumer Price Inflation	**5.7**	**10.4**	**8.5**	**10.1**	**9.1**	**8.6**	**8.8**	**8.6**
(Year average; percent)								
Afghanistan, Rep. of	…	-6.8	2.2	11.8	6.4	7.4	6.1	5.5
Djibouti	3.7	1.7	4.0	5.1	3.7	2.5	2.5	2.5
Egypt	7.1	11.8	11.2	10.1	7.1	9.1	11.1	11.4
Jordan	4.2	-0.7	5.0	4.4	4.6	5.5	3.0	2.4
Lebanon	2.6	1.2	5.1	7.2	5.9	3.2	2.0	2.0
Mauritania	6.7	2.1	6.3	5.7	4.9	4.1	4.7	5.2
Morocco	2.0	1.0	1.0	0.9	1.3	1.9	2.5	2.5
Pakistan	6.0	17.6	10.1	13.7	11.0	7.4	8.8	9.0
Sudan[1]	8.4	11.3	13.0	18.1	35.5	36.5	20.4	14.3
Syrian Arab Republic[2]	5.2	2.8	4.4	...	...	...	...	...
Tunisia	3.1	3.5	4.4	3.5	5.6	6.1	5.5	5.0
West Bank and Gaza[3]	4.2	2.8	3.7	2.9	2.8	1.7	2.2	2.7
General Gov. Overall Fiscal Balance	**-4.7**	**-5.1**	**-5.9**	**-7.0**	**-8.3**	**-9.3**	**-7.2**	**-6.9**
(Percent of GDP)								
Afghanistan, Rep. of[4]	…	-1.8	0.9	-0.6	0.2	-0.6	-0.4	-0.8
Djibouti	-1.6	-4.6	-0.5	-0.7	-2.7	-3.1	-1.8	0.7
Egypt	-7.2	-6.9	-8.3	-9.8	-10.5	-14.1	-11.1	-12.2
Jordan[4]	-3.6	-8.9	-5.6	-5.7	-8.9	-14.6	-8.3	-6.3
Lebanon[4]	-13.8	-8.2	-7.6	-5.9	-8.7	-9.4	-11.5	-10.2
Mauritania[4,5]	0.2	-5.1	-2.0	-1.5	2.8	-1.1	0.2	0.4
Morocco[4]	-3.8	-1.8	-4.4	-6.7	-7.3	-5.4	-4.9	-4.3
Pakistan	-3.5	-5.0	-5.9	-6.9	-8.4	-7.8	-5.3	-4.2
Sudan[1]	-0.9	-5.1	0.3	0.2	-3.8	-2.1	-1.3	-1.3
Syrian Arab Republic[2]	-2.1	-2.9	-7.8	...	...	...	...	...
Tunisia[6]	-2.5	-2.3	-0.4	-3.1	-4.7	-5.9	-6.8	-3.8
West Bank and Gaza[3]	-31.0	-30.1	-17.8	-16.9	-16.5	-13.9	-12.8	-12.1
Current Account Balance	**-1.3**	**-4.8**	**-3.2**	**-3.6**	**-6.0**	**-4.6**	**-4.0**	**-4.8**
(Percent of GDP)								
Afghanistan, Rep. of	…	1.9	3.1	3.1	3.9	2.8	3.3	-0.3
Djibouti	-6.6	-9.3	-5.4	-14.1	-12.3	-13.2	-16.3	-17.5
Egypt	1.5	-2.3	-2.0	-2.6	-3.9	-2.1	-1.3	-4.6
Jordan	-4.2	-3.3	-5.3	-12.0	-18.1	-11.1	-12.9	-9.3
Lebanon	-13.3	-12.6	-13.3	-15.7	-15.7	-16.2	-15.8	-13.9
Mauritania	-16.3	-16.2	-9.4	-7.5	-32.5	-25.8	-26.3	-38.0
Morocco	1.1	-5.4	-4.1	-8.0	-9.7	-7.4	-6.6	-5.8
Pakistan	-0.8	-5.5	-2.2	0.1	-2.1	-1.0	-0.9	-1.0
Sudan[1]	-5.2	-9.6	-2.1	-0.4	-10.4	-10.6	-8.2	-7.1
Syrian Arab Republic[2]	0.1	-2.9	-2.8	...	...	...	...	...
Tunisia	-2.9	-2.8	-4.7	-7.4	-8.2	-8.4	-6.7	-5.7
West Bank and Gaza[3]	-19.1	-12.0	-10.6	-23.6	-28.9	-18.4	-21.2	-21.8

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

[1]Data for 2011 exclude South Sudan after July 9. Data for 2012 and onward pertain to the current Sudan.

[2]2011–15 data exclude Syria due to the uncertain political situation.

[3]West Bank and Gaza is not a member of the IMF and is not included in any of the aggregates.

[4]Central government. For Jordan, includes transfers to electricity company.

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

[6]Includes bank recapitalization costs and arrears payments.

Note: Variables reported on a fiscal year basis for Afghanistan (March 21/March 20) and Egypt and Pakistan (July/June), except inflation.