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Regional Economic Outlook

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The views expressed in this publication are those of the contributors, and not necessarily of the IMF.
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Contents

Recent Macroeconomic Developments and Prospects 1

Highlights 3

Recent Economic Developments 4

Economic Outlook 12

World economic outlook 12

Outlook for the region 13

Policy Issues 19

Boxes

1 Remittances in the Caucasus and Central Asia 7

2 Lebanon—The Economic Consequences of the Conflict 14

3 Iraq—Some Progress Despite the Challenges 16

4. How is Oil Revenue Being Used? 17

5 Oil and Gas Production and Planned Investments in MCD Countries 20

6 Regional Cooperation in the Maghreb 24

Text Figures

1 Global Real GDP Growth 4

2 Real GDP Growth in MCD 5

3 External Current Account Balance 5

4 Non-Oil Commodity Prices 6

5 Gross Official Reserves 6

6 Central Government Fiscal Balance 8

7 Total Government Debt 8

8 Counterparts to Money Supply 9

9 Credit to the Private Sector 10

10 Consumer Prices 10

11 Nominal Effective Exchange Rates 11

12 Real Effective Exchange Rates 11

13 Selected Stock Market Indices 12

14 WEO Global Assumptions 12

Statistical Appendix 25

Data and Conventions 27

Tables

1 Real GDP Growth 28
2 Real Oil and Non-Oil GDP Growth for Oil Exporters 29
3 Nominal Gross Domestic Product 30
4 Consumer Price Index 31
5 Broad Money 32
6 Central Government Fiscal Balance 33
7 Central Government Total Revenue Excluding Grants 34
8 Central Government Non-Oil Fiscal Balance 35
9 Central Government Non-Oil Revenue 35
10 Central Government Total Expenditure and Net Lending 36
11 Central Government Wages and Salaries 37
12 Total Government Debt 38
13 Export of Goods and Services 39
14 Import of Goods and Services 40
15 Current Account Balance (in billions of U.S. dollars) 41
16 Current Account Balance (in percent of GDP) 42
17 Terms of Trade 43
18 Nominal Effective Exchange Rates 44
19 Real Effective Exchange Rates 45
20 Gross Official Reserves 46
21 Total Gross External Debt 47

Recent Macroeconomic Developments and Prospects

Photos on previous page

Gold bars in Dubai, United Arab Emirates by STR/Reuters Photo Archive.

Pyramids of Giza at sunset in Cairo, Egypt by Philip Coblentz/PictureArts.

Iraqi petroleum workers turn a valve to release gas at the Anzalla oil fields in the Ninewa province of northern Iraq, by Joe Raedle/Getty.

Highlights

- **Economic performance in the Middle East and Central Asia region remains strong, despite security problems in some countries and recent asset price reversals.** Growth in the region continues to outpace global growth and should average 6–7 percent in 2006 and 2007—similar to the rates of the past three years. Strong external inflows resulting from high oil and non-oil commodity prices, foreign investments, and remittances are fueling credit growth, and inflation continues to edge up, though it remains moderate in most countries. The region's fiscal and external surpluses are still rising, but at a slower pace than in recent years. Progress in reducing debt and building official reserves has put the region in a better position to absorb shocks and address development needs.

- **High oil prices, a favorable global environment, and generally good economic policies underpin this strong performance, but there are risks.** Most importantly, further conflict and a worsening security situation would eventually have a broader impact on the regional economy than we have seen so far. Global developments, including a sharper-than-expected tightening of international financial market conditions, or a slowdown resulting from a disorderly unwinding of global imbalances, could also hit regional growth. Policies should continue to aim at strengthening the region's resilience to such developments.

- **Policies are on the right track.** With the growing realization that the increase in oil prices—and hence in oil revenue—will endure, many oil-exporting countries have started to pick up the pace of spending and are putting in place major programs to upgrade their social and physical infrastructure. As a case in point, the Gulf Cooperation Council (GCC) countries' investment plans for 2006–10 amount to over $700 billion—covering investments in the oil and gas sector, infrastructure, and real estate. Once under way, these projects should enhance growth and employment, and help narrow the region's large external surplus. In addition, the oil projects will boost production and petroleum refining capacity, and so help to promote global oil market stability. Oil importers are continuing to make progress with fiscal consolidation and financial sector oversight.

- **Large external inflows are creating difficult challenges for monetary policy.** Real exchange rate appreciation will eventually be needed in response to permanently higher inflows. For countries with flexible exchange rate regimes, a combination of monetary tightening and nominal appreciation would be the best way to limit inflationary pressures. For countries with pegged exchange rates, open trade regimes and flexible labor markets will help to constrain increases in consumer prices.

- **Continued structural and institutional reforms will help to ensure that higher spending translates into increased productivity and potential output, and boost the region's resilience to shocks.** In the financial sector, strengthening prudential measures and improving risk management practices will reduce the impact of future asset price volatility and lessen the risk of financial sector instability. Increased regional cooperation—especially in Central Asia, the GCC, and the Maghreb countries—will promote trade and investment, and improve the prospects for sustainable long-term growth. ■

The Fall 2006 *Regional Economic Outlook* (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, and prospects and policy issues for 2006 and 2007. MCD countries are divided into three groups: oil exporters, low-income countries (LICs), and emerging markets.[1] Countries are grouped based on the share of oil in total exports, per capita income, and access to international capital markets.

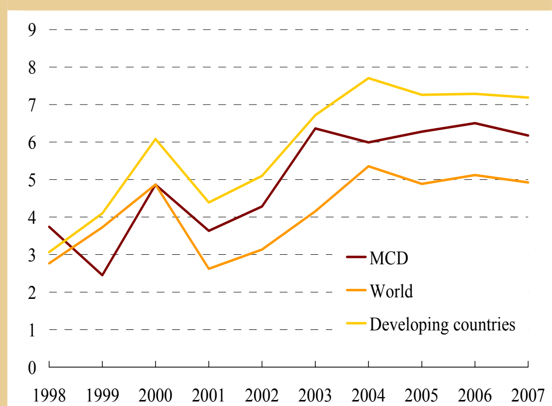
Recent Economic Developments

The MCD region has continued to grow strongly in 2006, for the fourth year in a row. Real GDP expanded by 6½ percent in the first half of 2006—a little better than the performance of the previous three years and well above the average growth rate of 3¾ percent registered during 1998–2002 (Figure 1). Continued high oil and non-oil commodity prices, robust global growth, a favorable international financial environment, and appropriate fiscal and monetary policies in many MCD countries underpinned this performance. With the boost to growth in recent years, real per capita income growth jumped from an average of 1¾ percent in 1998–2002 to 4 percent in 2003–05, and average per capita income reached $5,500 in 2005.

Growth in the region continues to outpace global growth. For the sixth year in a row, MCD growth exceeded global growth (of about 5 percent). Despite this strong performance, unemployment rates remain in double digits throughout much of the region, largely reflecting a rapidly growing labor force.

Figure 1. Global real GDP growth
MCD growth continues to outpace global growth.

(average annual change; in percent)



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

[1]**Oil exporters** comprise Algeria, Azerbaijan, Bahrain, Iran, Iraq, Kazakhstan, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Syria, Turkmenistan, and the United Arab Emirates (UAE). **LICs** comprise Afghanistan, Armenia, Djibouti, Georgia, the Kyrgyz Republic, Mauritania, Sudan, Tajikistan, Uzbekistan, and Yemen. **Emerging markets** comprise Egypt, Jordan, Lebanon, Morocco, Pakistan, and Tunisia. Afghanistan, Iraq, and Turkmenistan are included in the data tables but were excluded from the averages for the country groupings because of incomplete data.

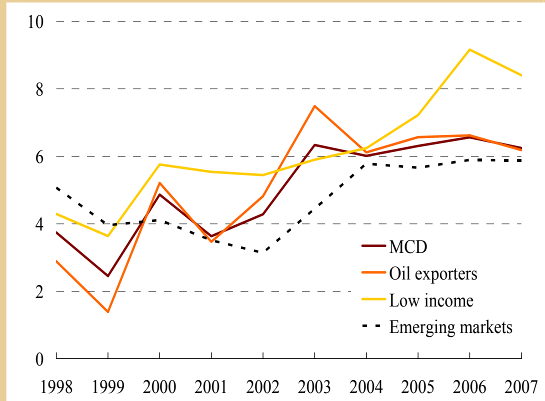
Among MCD countries, growth in 2005 and early 2006 accelerated in LICs and oil-exporting countries and remained at about the previous year's level in emerging market economies (Figure 2).

- **LICs** registered the highest growth in the MCD region, with an average of 7¼ percent in 2005 and over 9 percent in the first half of 2006, which compares favorably with the average of all developing countries. Growth picked up and was well above the average in Afghanistan, Armenia, Georgia, and Sudan, with all of them benefiting from a recovery in agriculture. Armenia, Georgia, and Sudan also benefited from expanding construction activity.
- **Oil-exporting countries** grew by 6½ percent in 2005 and early 2006, with particularly strong growth in Azerbaijan, Kazakhstan, Kuwait, Turkmenistan, and the UAE. Non-oil GDP growth, chiefly from construction activity, was the main engine of growth in Kazakhstan and the UAE, while expansion in the oil sector was the driving force in Azerbaijan and Kuwait. Oil GDP continued to contract in Bahrain and Syria.
- **Emerging market countries** continue to grow, on average at about 5¾ percent. Growth has remained strong in Jordan and Pakistan, and picked up in Egypt in early 2006. In Lebanon, after a weak performance in 2005, GDP was recovering strongly in the months before the conflict with Israel, while in Morocco, activity is rebounding from the effects of bad weather on agriculture in 2005.

The MCD region as a whole continues to have high savings as reflected in large current account surpluses. On average, the current account surplus of MCD countries was about 14 percent of GDP in 2005 ($200 billion) compared with an average of 2½ percent of GDP ($25 billion) during 1998–2002 (Figure 3). The surplus was reflected in a sharp increase in gross official reserves, a trend that has continued in the first half of 2006. Both the high level of the surplus and

Figure 2. Real GDP growth in MCD
Low-income countries are growing fastest.

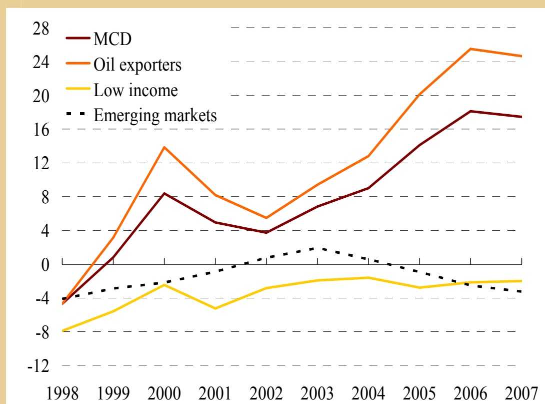
(average annual change; in percent)



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

Figure 3. External current account balance
Savings of oil exporters have quadrupled since 2002.

(in percent of GDP)

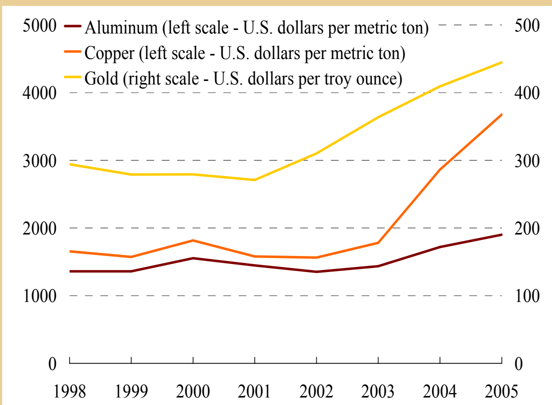


Sources: Data provided by authorities; and IMF staff estimates and projections.

its increase were due to developments in oil-exporting countries. Elsewhere, external balances generally deteriorated, although the adverse impact of higher oil prices on the current account of oil importers was partly offset by increases in non-oil commodity prices, especially metals (Figure 4), and in remittances. Remittances were particularly important

Figure 4. Non-oil commodity prices

Metal prices have also been rising.

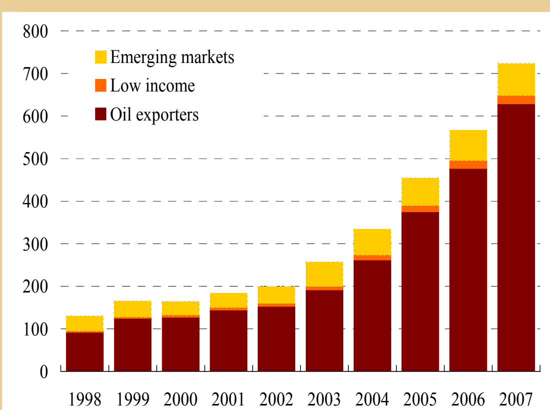


Source: IMF, *International Financial Statistics.*

Figure 5. Gross official reserves

Reserves more than doubled due to large increases in oil-exporting countries.

(in billions of U.S. dollars)



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

in the Commonwealth of Independent States (CIS, Box 1), in Egypt, Jordan, Morocco, and Pakistan among emerging market countries, and in Sudan.

- **Oil-exporting countries' current account surplus exceeded 20 percent of GDP ($206 billion) in 2005**. The value of exports rose by at least 30 percent in all countries except Qatar, Syria, and Turkmenistan. On the other hand, import growth moderated relative to 2004, reflecting higher saving from oil receipts. Among oil-exporting countries, Iraq, Kazakhstan, Qatar, Saudi Arabia, and the UAE had above-average growth in imports, including for foreign direct investments (FDI) projects.

- **Emerging market countries' current account moved into deficit in 2005**. There were significant deteriorations in Jordan, with a slowdown in the growth of exports, and in Pakistan, with a pickup in imports. While export growth was robust in most countries, with Egypt and Pakistan being above average for this group, import growth was stronger, although moderated somewhat by weak output growth in Lebanon and Tunisia.

- **The current account deficit of LICs also widened.** Export performance was strong in Sudan and Yemen because of oil receipts, and in Armenia, Georgia, and Mauritania because of higher base metal receipts. However, import growth accelerated and was higher than that of exports, mirroring higher oil prices and, in some countries, increases in externally financed investments.

- **Gross official reserves[2] of MCD countries have more than doubled since 2002, reaching $450 billion at end-2005 and about $540 billion by mid-2006.** These increases reflect sharp improvements in current account positions in some countries, and higher foreign investment and other capital inflows in others (Figure 5).

[2]Total gross official reserves include only the amounts held by central banks and do not include foreign assets of governments held in special funds.

Box 1. Remittances in the Caucasus and Central Asia

Remittances have developed into an important source of foreign exchange for six of the countries of the Caucasus and Central Asia (CCA6: Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Tajikistan, and Uzbekistan). They have contributed to growth and poverty reduction, but also present policy challenges.

Data on international remittance flows are weak. Official data in Azerbaijan, the Kyrgyz Republic, Tajikistan, and Uzbekistan cover only transactions through formal channels (banks and money transfer operators). Cross-country and intertemporal comparisons are hampered by differing definitions, coverage, estimation methodologies, and changes in reporting systems.

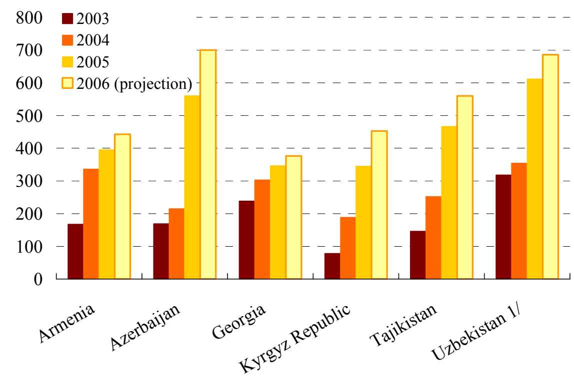
Remittances to the CCA6 have grown dramatically in the past few years, outstripping official development aid and on a par with foreign direct investment in most countries (the exception being Azerbaijan). Official data show a total of more than $2.7 billion in 2005, a 350 percent increase since 2002 (though some of the increase may be due to improved data coverage) (Figure 1). Alternative estimates indicate that actual flows may be much higher. In percent of GDP, remittances are particularly significant in the Kyrgyz Republic and Tajikistan (Figure 2).

The booming Russian economy accounts for 50 percent to 80 percent of remittance inflows. The remainder comes largely from Western Europe, the United States, Turkey, and Kazakhstan. The majority of migrant workers in Russia are employed in construction, trade-related services, oil and gas, and agriculture. Monthly dollar wages in Russia have approximately tripled since 2001. The growth of remittances to the CCA6 is projected to continue as long as high energy prices keep fueling the Russian economy.

Economic growth in all CCA6 countries has benefited from the rise of remittances through their impact on consumption. Remittances have been important for alleviating poverty in Armenia, Georgia, and Tajikistan. Moreover, remittances are a crucial source of external current account financing in Armenia, Georgia, the Kyrgyz Republic, and Tajikistan, thus contributing to macroeconomic stability. To harness the benefits of remittances, CCA6 governments should continue to reduce the transaction costs of sending remittances and to implement growth enhancing reforms that improve the investment climate and facilitate a productive use of remittances.

Figure 1. Total remittance inflows, 2003–06

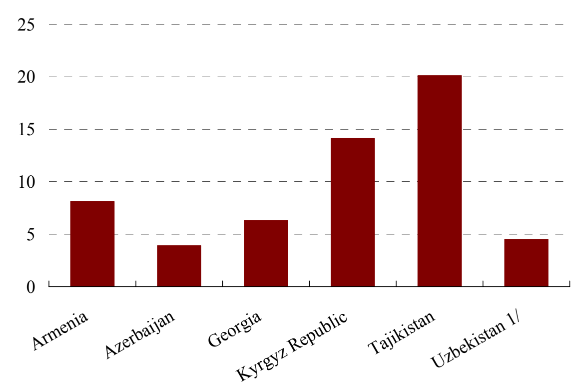
(in millions of U.S. dollars)



Sources: IMF, *Balance of Payments Yearbook;* and IMF staff estimates.
[1]No detailed data are available for Uzbekistan. Data series are for net current transfers.

Figure 2. Total remittance inflows, 2005

(in percent of GDP)

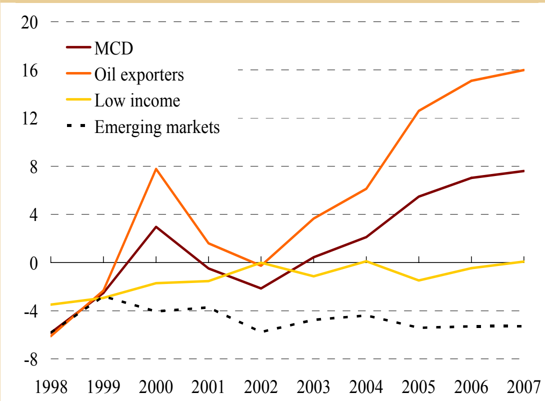


Sources: IMF, *Balance of Payments Yearbook*; and IMF staff estimates.
[1]No detailed data are available for Uzbekistan. Data series are for net current transfers.

However, the rapid growth of remittances also brings about policy challenges. Remittances, which are generally used to finance consumption and housing construction rather than investment in productive capacity, can discourage domestic saving. Furthermore, large-scale foreign exchange inflows that are difficult to measure hamper monetary management (Armenia and the Kyrgyz Republic), highlighting the need to improve the quality of remittance data. Remittances can also contribute to exchange rate appreciation pressures (Armenia, Azerbaijan, and the Kyrgyz Republic), and help fuel inflation (Georgia, Tajikistan, and Uzbekistan).

Figure 6. Central government fiscal balance
Fiscal balances improved owing to high government savings in oil-exporting countries.

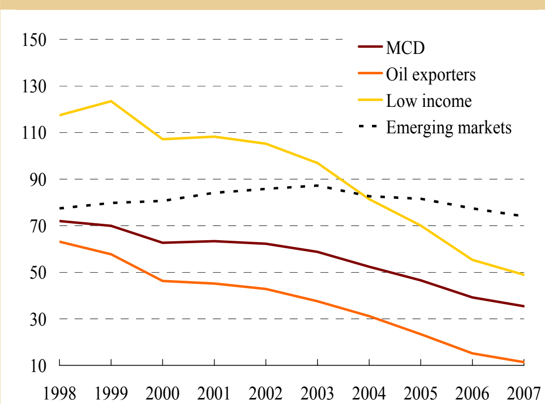
(in percent of GDP)



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

Figure 7. Total government debt
Government debt is declining.

(in percent of GDP)



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

All country groupings registered increases in reserves, with those of oil exporters up by about $300 billion since end-2002. Gross reserves of LICs more than doubled over the same period, mainly because of increases in Afghanistan, Uzbekistan, and Yemen, owing to their strengthened current account positions, and in Sudan because of large FDI inflows. In emerging market countries, FDI inflows and official borrowing more than offset the worsening external current account positions and allowed for the continued accumulation of reserves, albeit at a slower pace. FDI inflows increased sharply in almost all emerging market countries and in Sudan.

Government savings have increased sharply, with the overall fiscal balance of MCD countries increasing from a deficit of almost 2 percent of GDP during 1998–2002 to a surplus of 5½ percent in 2005 (Figure 6). With oil prices soaring over the past three years, oil exporters' fiscal position moved from balance to a surplus of about 12½ percent of GDP during the same period. In contrast, low-income countries had deficits about equal to their averages for 1998–2002, and emerging markets slightly higher. Aided by progress in fiscal consolidation in some countries and the use of privatization receipts and earmarked oil revenues in others, all country groups reduced their debt-to-GDP ratios (Figure 7).

- **Oil exporters continued in 2005 to be cautious in spending higher oil revenues.** The cumulative increase in the overall fiscal surplus between 2002 and 2005—that is, the savings from the increase in oil revenue—was about 75 percent of the increase in fiscal oil receipts. However, some countries have raised spending substantially, and, not surprisingly, those with the fastest growth in oil and gas receipts have increased spending the most. As a result, the non-oil fiscal deficit has increased to 36 percent of non-oil GDP in 2005, from an average of 27 percent in 1998–2002.

- **Spending rose sharply in LICs, with a number of large investment projects under way.** In Sudan, the government spending-to-GDP ratio has increased steadily over the past three years, while in Georgia and Tajikistan there was a strong pickup in investment in 2005. In the Kyrgyz Republic, Tajikistan, and Uzbekistan, wages and salaries as a percent of GDP also increased significantly in 2005.

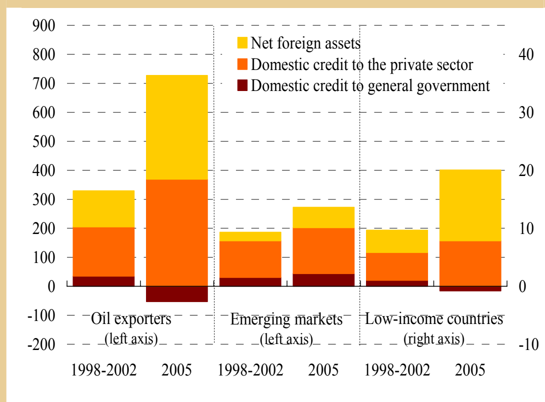
- **In the emerging market countries, spending as a percent of GDP remained broadly stable.** Lebanon cut spending further in 2005, while Morocco increased spending mainly because of higher energy subsidies and the cost of the early departure scheme for government employees, which more than offset its strong tax performance.

- **Both oil-exporting and oil-importing countries limited the pass-through of oil price hikes in 2005,** in some cases at the cost of substantially increasing subsidies on petroleum products. In 2005, the ratio of the domestic price of regular gasoline relative to that in the US was, on average, about 80 percent for MCD countries, with oil-exporting countries at 50 percent and low-income and emerging market countries at about 100 percent. For all country groupings, these ratios declined in the first half of 2006, as MCD countries continued to pass through higher oil prices more slowly than in the US.

Monetary policy has remained largely accommodative, although tightening is now under way in several countries where inflation has picked up. Monetary growth in MCD countries has continued to accelerate and amounted to 22 percent in mid-2006 (on a year earlier), compared with an average of less than 15 percent for 1998–2002. The counterparts to the rapid monetary growth are a marked rise in net foreign assets—reflecting pegged or heavily managed exchange rates in an environment of large foreign exchange inflows with limited scope for sterilization[3]—as well as strong credit growth (Figure 8).

Figure 8. Counterparts to money supply
Net foreign assets and private credit fueled monetary expansion.

(in billions of U.S. dollars)

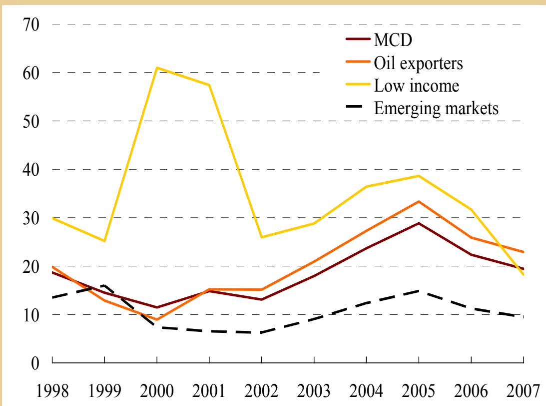


Sources: Data provided by authorities.

[3]In some countries where most oil receipts are invested overseas by special funds (e.g., the Abu Dhabi Investment Authority), these funds effectively act as a sterilization channel, and consequently, the oil export receipts have limited influence on monetary developments.

Figure 9. Credit to the private sector
Private sector credit growth accelerated.

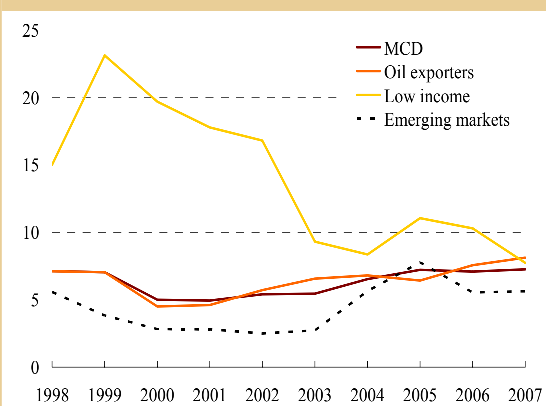
(percent change from previous period)



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

Figure 10. Consumer prices
Inflation has increased.

(average annual change; in percent)



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

- **On average, bank credit to government has declined, while credit to the private sector increased sharply**. The stock of domestic credit to government declined substantially in oil exporters, reflecting the higher fiscal surpluses from oil receipts, but in several LICs and emerging markets, domestic credit rose to finance higher fiscal deficits. Credit expansion to the private sector accelerated, particularly in LICs (39 percent in 2005) and oil exporters (33 percent) (Figure 9). In some countries, the rapid credit growth partly reflects normal financial deepening from a low base. Increases in credit were particularly large in Azerbaijan, Kazakhstan, Qatar, Syria, and the UAE among oil exporters; in Armenia, Georgia, and Sudan among LICs; and in Pakistan among emerging market countries.

- **Inflation continued to edge up in 2005, averaging 7¼ percent, but appears to have stabilized in the first half of 2006** (Figure 10). The policy of MCD governments to limit the pass-through of the sizable increase in oil prices has helped restrain the pickup in inflation in the region. Inflation in oil-exporting countries has remained more or less stable at about 6½ percent over the past three years, despite the acceleration in the money supply.[4] Aided by the open product and factor markets in these countries, increases in consumer prices have been limited, although underlying inflationary pressures have shown up in asset price inflation. In emerging market countries, inflation rose to about 8 percent in 2005, mainly owing to the increases in Pakistan. In LICs, inflation rose to 11 percent, mainly owing to increases in Georgia and Uzbekistan because of accommodative monetary policies. Data for the first half of 2006 show further increases in inflation in several LICs, notably in the Caucasus, Central Asia, and in Yemen, but declines in emerging market countries as central banks have begun to tighten monetary policy. In many LICs, monetary growth has reflected continued financial deepening, and inflation remains well below the average for 1998–2002.

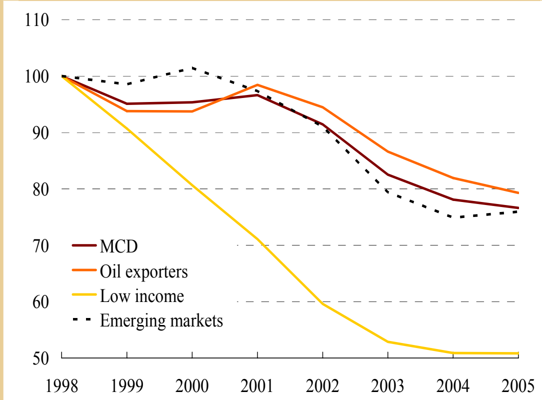
[4]Excluding Iran, the average inflation rate for oil exporters was 3 percent in 2005.

- **Despite higher oil prices, real exchange rates of oil exporters have generally continued to depreciate while those of oil importers have appreciated** (Figures 11 and 12). For many oil-exporting countries, particularly in the GCC, the absence of real appreciation has reflected their very open trade and flexible labor markets, and the limited pass-through of higher fuel costs to domestic prices in the context of nominal exchange rates pegged to a depreciating U.S. dollar. Notable exceptions are Azerbaijan, where a large real appreciation in 2005 was due to both nominal appreciation and high inflation, and Qatar, where it reflected a relatively high inflation rate resulting from rapid credit expansion. In oil-importing countries, the real exchange rate appreciated because of relatively high inflation, partly owing to a substantially larger pass-through of higher oil prices to domestic prices than in oil-exporting countries, and in some countries as a result of strong remittances and capital inflows that offset increased oil import bills. Among LICs and emerging markets, the real appreciation was particularly strong in Armenia, Egypt, Mauritania, and Sudan.

Following very large gains in equity markets in 2004 and early 2005, there were partial reversals in late 2005 and early 2006. Corrections occurred in most markets, but prices have since stabilized. By end-August 2006, stock prices in GCC markets had declined significantly from the end-2005 levels, with the largest drops occurring on the Qatari (31 percent), Saudi Arabian (35 percent), and the UAE (33 percent) markets. The Shua'a Capital Arab Composite Index (Shua'a) fell by 28 percent, reflecting offsetting gains in Morocco (40 percent)

Figure 11. Nominal effective exchange rates
Nominal effective exchange rates continued to depreciate.

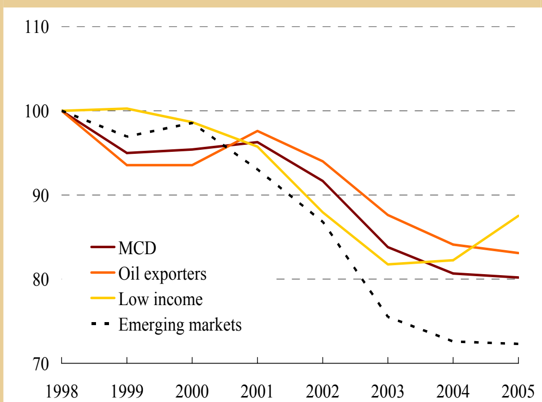
(Index 1998 = 100; increase indicates appreciation)



Sources: IMF Information Notice System; and IMF staff estimates.

Figure 12. Real effective exchange rates
Real exchange rates were broadly stable during 2003–05 despite large foreign exchange inflows.

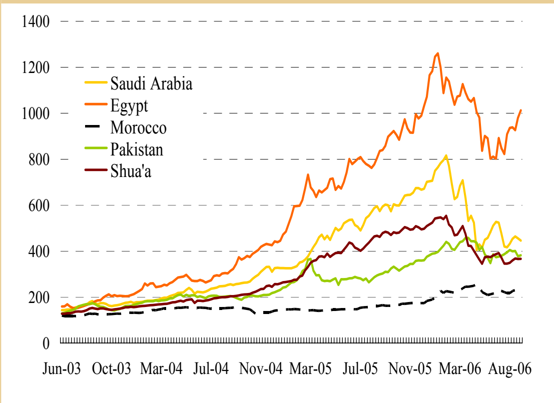
(Index 1998 = 100; increase indicates appreciation)



Sources: IMF Information Notice System; and IMF staff estimates.

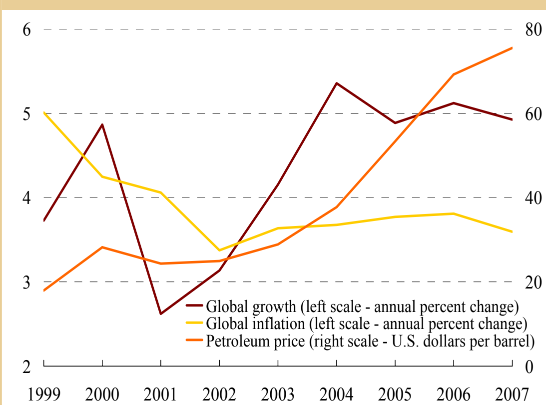
Figure 13. Selected stock market indices
Large gains in stock markets were partially reversed.

(December 2002 = 100)



Source: Bloomberg.

Figure 14. WEO global assumptions
Global growth to remain strong and inflation low despite higher oil prices.



Source: IMF, *World Economic Outlook* (WEO).

and Tunisia (20 percent) (Figure 13).[5] In general, the impact of the decline has so far been limited owing to the early implementation of prudential measures, the fact that earlier capital gains have been largely retained, and strong investor confidence based on sound economic fundamentals. ■

Economic Outlook

World economic outlook

The strong expansion of the world economy is likely to continue in the remainder of 2006 and in 2007. The global expansion was broad based in the first half of 2006, with activity in most regions meeting or exceeding expectations. Global growth is projected at slightly over 5 percent for the year as a whole and should continue at close to this pace in 2007 (Figure 14). There are new signs that inflationary pressures and expectations are edging up in some countries as sustained high rates of growth have absorbed spare capacity. Against this background, major central banks have responded by tightening monetary policy. Consequently, global inflation is projected to remain at about last year's level of 3½ percent in 2006 and continue more or less at this pace in 2007.

Oil and other commodity prices remain high. Oil prices have been boosted by a combination of buoyant demand and tight spare capacity in global markets, as well as rising geopolitical tensions in the Middle East. After reaching a record high in July at about $75 a barrel, the Average Petroleum Spot Price (APSP)[6] is projected to average $69 a barrel in 2006 and $76 a barrel in 2007. Non-oil commodity prices have also been pushed up by strong demand growth, especially in emerging markets, and by supply bottlenecks. However, metal prices are expected to retreat from recent highs as new production comes on stream to meet rising demand.

[5]The Shua'a index includes the GCC countries, Egypt, Jordan, Lebanon, Morocco, Tunisia, and West Bank and Gaza.

[6]The APSP is a simple average of the spot prices for West Texas Intermediate, Dubai Fateh, and UK dated Brent.

Financial market volatility has increased and the environment is becoming more difficult. Rising inflation concerns and tighter monetary conditions have resulted in weakness in advanced country equity markets and a series of larger moves in some emerging market asset prices. For the most part, asset price declines have represented corrections after large run-ups, and the impact on emerging market spreads has been relatively subdued. Longer term government bond yields have also increased, although they still remain quite low in real terms. At this point, these market events are not expected to significantly slow the overall momentum of global activity. However, for emerging markets, the external environment has become more testing, particularly for economies where significant fiscal, financial, and external vulnerabilities remain.

The balance of risks to the global outlook is slanted to the downside. The most notable risks are that (i) a continued buildup of inflationary pressures could force a tighter monetary policy stance than currently expected; (ii) oil prices could increase further, owing to limited spare capacity and ongoing geopolitical uncertainties, thus exacerbating inflationary pressures; (ii) the U.S. housing market could cool more rapidly than expected, triggering a more abrupt slowdown of the U.S. economy; and (iii) a disorderly unwinding of global imbalances could involve a rapid fall of the U.S. dollar, more volatile financial markets, rising protectionist pressures, and a sharp hit to global output. ■

Outlook for the region

Growth prospects for the MCD region remain favorable. Based on the global scenario described above, real GDP of the MCD region is projected to grow by 6½ percent in 2006 and 6¼ percent in 2007, a pace similar to that in 2005.

- With increases in oil and gas output and the income and wealth effects associated with high oil prices lifting non-oil output growth, overall GDP growth in **oil-exporting countries** is expected to remain high at about 6½ percent in 2006 before easing somewhat in 2007. In Azerbaijan and the UAE, growth rates of both oil and non-oil GDP are expected to be very strong in 2006. In Bahrain, Kazakhstan, and Saudi Arabia, non-oil GDP growth is likely to be the main driver of the strong overall performance.
- The steady increase in growth rates in **LICs** since 2002 should continue, with the average exceeding 9 percent in 2006, mainly on account of a rebound in the Kyrgyz Republic, the start of oil production in Mauritania, and the significant increase in oil output in Sudan. The average growth rate in LICs is projected to ease in 2007 to about 8½ percent. Nevertheless, in both 2006 and 2007, the growth of LICs is expected to remain well above the average for the MCD region as well as that of all developing countries.
- The average growth performance of **emerging market countries** is projected to improve somewhat to about 6 percent in 2006 and 2007. Better growth performance is expected to reflect increased gas production in Egypt, a bumper crop and the continued strong performance of nonagricultural sectors in Morocco, and a recovery in agricultural output in Tunisia. Meanwhile, policy tightening is expected to slow GDP growth in Jordan, and the conflict with Israel will most likely lead to contraction of GDP in Lebanon in 2006 (Box 2).

Photo by Brakefield/PictureArts

Market in Marrakesh, Morocco

Box 2. Lebanon—The Economic Consequences of the Conflict

The conflict with Israel will result in lower productive capacity and disrupted demand, and entail large reconstruction and rehabilitation costs.

The conflict has had devastating economic consequences for Lebanon. Initial estimates put the damage to infrastructure at about $3½ billion, including the international airport and major roads and bridges. Although financial markets weathered the crisis relatively well, economic activity and the fiscal situation were severely affected by the conflict.

Real GDP is expected to contract in 2006, despite a strong showing in the first half, when developments were consistent with growth of about 5 percent for the year as a whole. The conflict resulted in substantial disruption on the demand side, with the regional demand for tourism and financial services as well as for other business services having fallen dramatically. Recovery in these sectors will depend on a return of confidence and on improved security, both of which may take time. The destruction of physical capital and the displacement of a large part of the population will also contribute to the contraction of output in 2006, and could significantly lower medium-term growth. The reconstruction effort is expected to support domestic demand and eventually restore Lebanon's physical capital stock, but it remains to be seen whether the large number of professionals who have left the country will return, and how long it will take before Lebanon's GDP recovers to its pre-conflict level.

The fiscal outlook is very difficult, both in the short and in the medium term. During the conflict, government revenues slowed to a trickle, and spending was limited to wages and essential services (emergency relief, hospitals, and the army). The government was able to draw down its deposits with the banking system to finance these operations. Following the cessation of hostilities, there is an urgent need to accommodate substantial relief and reconstruction expenditures, but it is unclear how fast expenditure execution and revenue collection capacity can be restored. Thus, the primary deficit is expected to increase in 2006 and possibly also in 2007. Given Lebanon's already high debt burden (175 percent of GDP at end-2005), it is important that there be substantial donor support to rebuild the economy without a further increase in the debt-to-GDP ratio. A donors' conference in Stockholm at the end of August generated $940 million in pledges for the immediate recovery effort.

Financial stability was maintained during the conflict because of the central bank's strong gross international reserves position, with most depositors and investors adopting a wait-and-see approach. Nearly 4 percent of deposits left the banking system immediately after the outbreak of hostilities, and deposit dollarization rose to about 75 percent; the pace of withdrawals has since slowed considerably. The liquidity cushion maintained by the central bank and commercial banks played an important role in preserving depositor confidence and the exchange rate peg, with the central bank intervening in the market to meet temporary pressures on the currency. A significant added boost to confidence was given by Saudi Arabia's and Kuwait's deposits with the central bank of $1 billion and $0.5 billion, respectively, on top of $500 million and $300 million in grant pledges by the two countries. Eurobond spreads doubled over the first three weeks of the conflict, but declined to about 340 basis points by end-August, or about 140 basis points above the pre-conflict level. The stock market was temporarily closed during the conflict, and lost about 20 percent of its value, but by end-August had recovered 15 percent relative to the trough during the conflict.

- The **CIS** is once again expected to outperform the rest of the region, with average GDP growth in double digits for the second year in a row. High commodity prices and buoyant demand in Russia and China are expected to contribute to the continued strong performance.

Inflation is expected to rise in oil-exporting countries, but should fall somewhat with tighter macroeconomic policies in LICs and emerging market economies. In oil-exporting countries with fixed exchange rates, some pickup in inflation is expected as real exchange rates adjust to higher oil prices.[7] Nevertheless, in most cases, the inflation rate is likely to be in low single digits, aided by open product and factor markets. However, in Iraq, inflation is expected to remain well into double digits (Box 3). Among oil-exporting countries with adjustable exchange rates, in Iran inflation is projected to be in double digits, and in Azerbaijan it is projected to increase to double digits in the absence of tighter fiscal and monetary policies and greater exchange rate flexibility. Among low-income and emerging market countries, tighter macroeconomic policies are projected to lead to reductions in inflation in Afghanistan, Mauritania, Pakistan, and Sudan.

The external current account surplus of the MCD region is likely to increase further in 2006 before leveling off in 2007. Gross official reserves are projected to continue on an upward trend in all country groupings, with the current account deficits of low-income and emerging market countries more than offset by growing foreign direct and portfolio investments.

- Based on the latest oil price projections, the current account surplus of **oil-exporting countries** should rise to about 25 percent of GDP ($325 billion) in 2006, but is projected to fall slightly in 2007 as a percentage of GDP as major planned public and private sector investment projects begin to materialize. The cumulative current account surplus is projected to reach $1.1 trillion during 2003–07 compared with a surplus of $150 billion during the previous five years.
- In contrast, the current account deficit of **emerging market countries** is likely to deteriorate in 2006–07. Continued large deficits in Jordan and Lebanon and a widening of the deficit in Pakistan are projected, while the surplus in Egypt is expected to decline further.
- In **LICs**, lower current account deficits are likely in 2006 mainly because of increased remittances (particularly in CIS countries), and in Mauritania and Sudan because of the favorable impact of oil sector developments. In Yemen, the current account is expected to move into deficit owing to a sharp increase in imports for the FDI-based construction of liquefied natural gas (LNG) processing facilities. Deficits in LICs are projected to be broadly stable in 2007 with the easing of non-oil commodity prices and large foreign-financed investment projects in some countries (including in Djibouti and Tajikistan).

The fiscal surplus of the MCD region is expected to increase further in 2006–07, but at a much slower pace than over the past two years. This reflects the fact that with oil prices increasingly seen as remaining high, oil-exporting countries are starting to undertake major investment projects and increase the pace of spending out of annual increments to oil revenues (Box 4). Fiscal deficits of LICs are projected to decline, mainly due to the sharp turnaround in fiscal positions of Mauritania and Sudan because of oil revenues. Although deficits of emerging market economies are projected, on average, to remain at current levels, fiscal consolidation is expected in Egypt, Jordan, and Morocco. However, Pakistan's deficit will widen because of earthquake-related expenditures, and Lebanon's already large fiscal deficit will deteriorate

[7]Following the exchange rate regime classification in the IMF's *Annual Report on Exchange Arrangements and Exchange Restrictions* (2005), we classify countries into **fixed regimes** (Bahrain, Djibouti, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Turkmenistan, and the UAE) and **adjustable regimes** (Afghanistan, Algeria, Armenia, Azerbaijan, Egypt, Georgia, Iran, Kazakhstan, the Kyrgyz Republic, Mauritania, Pakistan, Sudan, Tajikistan, Tunisia, Uzbekistan, and Yemen).

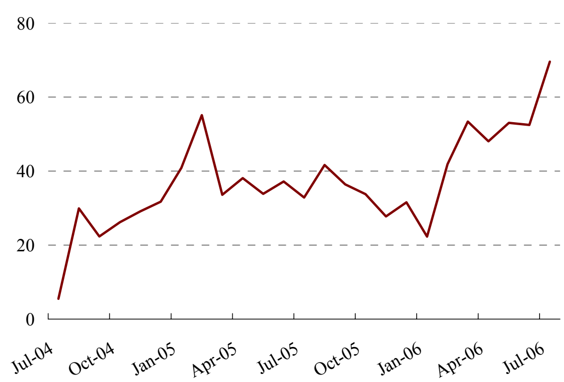
Box 3. Iraq—Some Progress Despite the Challenges

The implementation of the economic program has been slow largely because of the ongoing security problems. Inflation remains high and structural reform uneven, but there has been progress in some areas.

The main objectives of Iraq's economic program, which is supported by an IMF financial arrangement, are to establish the basis for macroeconomic stability, strengthen administrative capacity, allocate resources toward the planned expansion of the oil sector, and redirect expenditures away from general subsidies toward improved public services and better targeted social support.[1]

Figure 1. CPI inflation

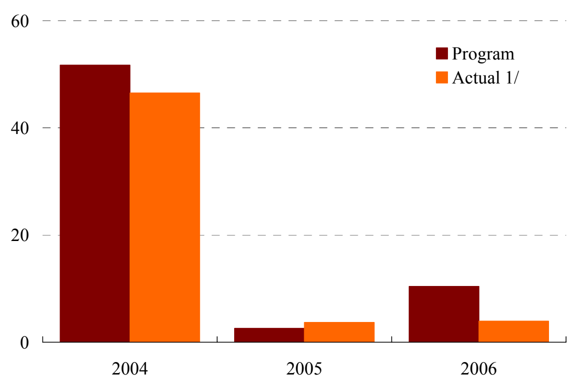
(year on year; in percent)



Source: Data provided by authorities.

Figure 2. Real GDP growth

(year on year; in percent)



Sources: Data provided by authorities; and IMF staff estimates.
[1]Data for 2006 are estimates.

Implementation of the program has been hampered by the ongoing security problems in the country, but progress has been achieved in a number of areas. Fiscal policy is being conducted through an appropriate budgetary process, and fiscal targets have generally been met. The exchange rate against the U.S. dollar has been stable, and the central bank's external reserves have grown steadily throughout the program period. But not everything has turned out as well as hoped. Inflation has tended to increase, rather than decrease. In large part this has resulted from sharp increases in the prices of certain key commodities, the supply of which has been curtailed by the insurgency. The central bank has responded by tightening monetary policy, but the power of conventional policy instruments to influence inflation in these circumstances is limited. Growth has proved slower than expected, mainly because it has not been possible to undertake investment on the required scale. Security problems, combined with insufficient expertise on the ground, are mainly to blame.

Progress in structural reform has been uneven. Important steps have been taken toward rationalizing subsidies, with several rounds of price adjustments for domestic petroleum products to bring them better into line with those of other countries in the region. This policy has been supported by the development of a new targeted social protection scheme to protect the poor. The domestic supply of petroleum products should also improve with the recent passage of a law permitting the private importation of these products. This is expected to help alleviate black market fuel price pressures. A functioning payments system is well advanced. On the other hand, improvements in governance and transparency are urgently required, especially in the oil sector. Institution building has been slow, which affects the capacity of the Iraqi administration to formulate and implement policy effectively.

Significant challenges remain for Iraq in pursuing its program of economic stabilization and reform. Not least of these challenges are the ongoing security problems as well as corruption, especially in the oil sector. Until these are decisively addressed and solved, progress in reconstructing the Iraqi economy and its institutions will continue to be slow.

[1]The IMF Stand-By Arrangement (SBA) was approved on December 23, 2005. The SBA, for SDR 475 million (approximately $700 million), runs for 15 months through March 2007, and is being treated as precautionary (the Iraqi authorities do not intend to draw the funds). Approval of the SBA unlocked the second stage of debt reduction under the Paris Club agreement. The third and final stage of debt reduction (a total of 80 percent) will follow after three years of compliance with IMF programs.

Box 4. How is Oil Revenue Being Used?

With the growing realization that the increase in oil prices—and hence in oil revenue—will endure, many oil-exporting countries in the Middle East and Central Asia region have started to pick up the pace of spending and are putting in place major programs to upgrade their social and physical infrastructure.

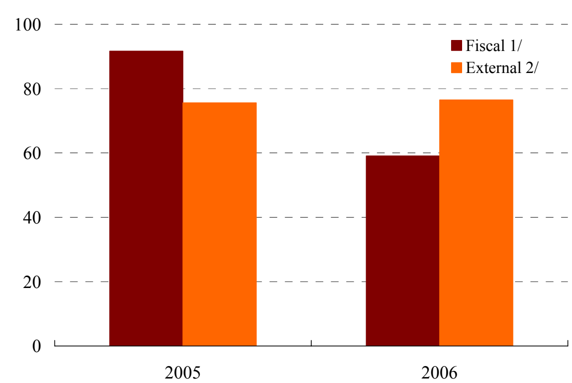
Oil prices continued to rise in the first half of 2006 and are now expected to average $69 a barrel for the year. This represents an increase of $16 a barrel from last year, and over $40 a barrel from the average price in 2002. As a result, oil revenues across the region are also rising. By end-2006, the cumulative increase in oil export earnings since 2002 for the region's oil-exporting countries is projected to total over $880 billion, of which $670 billion will accrue to national governments in the form of fiscal receipts.

Spending has also increased, but by much less than the increase in income. Consequently, the external current account surplus—measuring the saving of the additional oil revenue—has widened. By the end of this year, the cumulative increases in the external surplus since 2002 for all oil exporters in the region is expected to amount to $590 billion. This represents about two-thirds of the additional export receipts, roughly the same proportion as a year ago. In other words, the overall saving rates remain broadly unchanged for the region as a whole. Similarly, the fiscal surplus for the region will amount to $520 billion by end-2006, amounting to about three-fourths of the additional fiscal receipts.

Nevertheless, the pace of spending out of annual increments to oil revenue looks set to accelerate in 2006, at least on the fiscal side. The aggregate ratio of the increase in the overall fiscal surplus to the increase in fiscal oil revenue—the incremental fiscal saving out of oil income—is projected to decline from over 90 percent last year to about 60 percent in 2006 (Figure 1). And since the estimate for 2006 is based on announced budget plans—which may be supplemented during the course of the year—it likely understates the actual increase in spending this year. Thus, the incremental saving rate is likely to decline significantly in 2006, an indication that spending of oil revenue is starting to pick up across the region.

Figure 1. MCD oil exporters: incremental saving ratios

(annual change in surplus relative to change in receipts; in percent)



Sources: Data provided by authorities; and IMF staff estimates.
[1]Overall fiscal surplus to oil fiscal receipts.
[2]Current account surplus to oil export receipts.

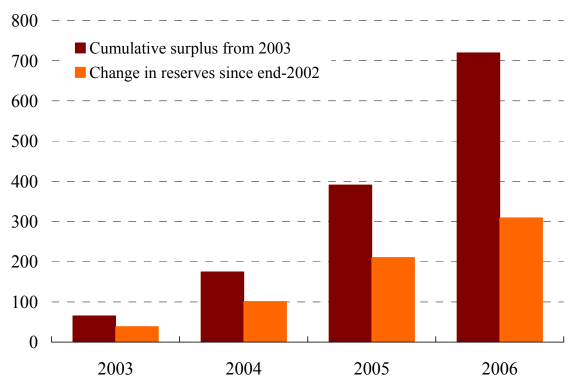
The picture on the external side, by contrast, indicates a broadly flat incremental saving rate for the region as a whole. In Saudi Arabia, though, the incremental saving rate looks set to decline from about three-fourths in 2005 to two-thirds in 2006. Again, to the extent that budgetary plans are likely to be supplemented during the year, and to the extent those allocations raise imports, the actual saving rate may well decline in other countries as well. While the external surpluses have resulted in a buildup of official reserves, a growing portion is taking the form of external assets held by entities other than central banks, such as national oil

Box 4. How is Oil Revenue Being Used? (continued)

companies, investment funds, or oil funds (Figure 2). In the GCC, for example, official reserves have increased by about $150 billion since end-2002, accounting for only just over a quarter of the cumulative external surplus during the period.

Figure 2. MCD oil-exporting countries: current account surpluses and official reserves

(in billions of U.S. dollars)



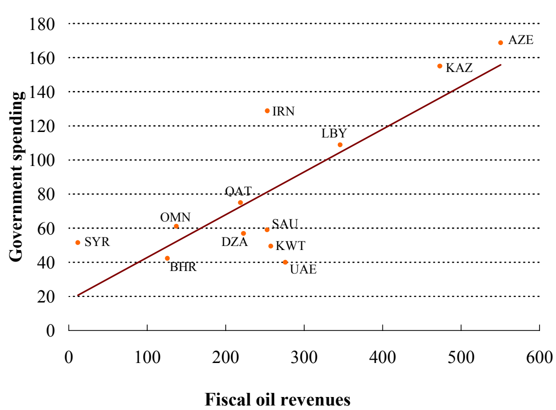
Sources: Data provided by authorities; and IMF staff estimates.

Spending rates have varied considerably across the region, but countries experiencing the most rapid growth in oil income have generally also seen the fastest increase in expenditures (Figures 3a and 3b). On average, a 1 percent increase in fiscal oil revenue has been associated with a 0.3 percent increase in government spending. Similarly, a 1 percent increase in oil export receipts has translated, on average, into a 0.2 percent increase in imports.

With the rise in oil income increasingly seen as long lasting, major investments are being undertaken to address pressing social and infrastructure needs. For example, the GCC countries' investment plans for 2006–10 amount to over $700 billion, representing about 55 percent of their projected cumulative current account surplus over the period. The plans will cover—in roughly equal portions—projects in the oil and gas sector (funded by the national oil companies), infrastructure (mainly under public-private partnership arrangements), and real estate (financed principally by the private sector). Once under way, the programs are expected to enhance these countries' growth and employment and, at the same time, help narrow the region's large current account surplus. In addition, the oil projects will boost oil production and refining capacity, and help promote global oil market stability.

Figure 3a. Fiscal spending and oil income growth

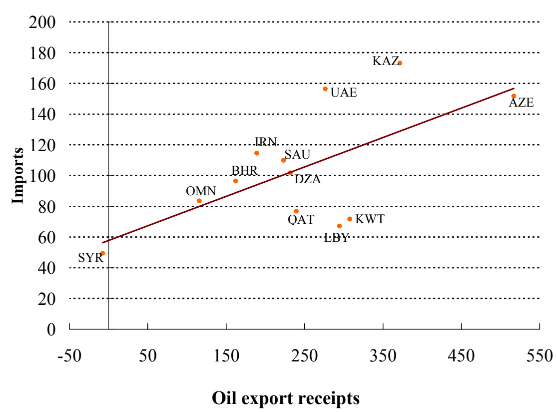
(change from 2002 to 2006; in percent)



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

Figure 3b. External spending and oil income growth

(change from 2002 to 2006; in percent)



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

further because of the increased spending for rehabilitation and reconstruction, as well as losses in revenues in the wake of the recent conflict.

All country groupings are projected to make further progress in reducing debt. By end-2007, government debt-to-GDP ratios of oil-exporting countries and LICs are projected to be only about a quarter and a half, respectively, of their end-2002 levels. This favorable outlook reflects efforts to reduce debt through prudent fiscal policies, or with funding from privatization receipts and earmarked oil revenues, and in some LICs through debt relief from bilateral creditors and under the Multilateral Debt Relief Initiative (MDRI). Among oil exporters, Algeria is in the process of prepaying all its outstanding debt to multilateral and Paris Club creditors. Progress in reducing debt in emerging markets (largely with the use of privatization receipts) is also projected, but at a more gradual pace, leaving their average debt-to-GDP ratio at about 74 percent at end-2007. Reflecting the deterioration in its public finances because of the conflict and the related reconstruction and rehabilitation needs, Lebanon's debt ratio is likely to increase further in 2006–07 unless substantial foreign grants become available.

While the central outlook presented here is very positive, there are several downside risks reflecting both regional and global factors. Most importantly, the conflicts in the region and the worsening security situation, if not resolved, could affect the region's economic performance significantly. The whole region could also suffer if global growth were to slow significantly. In addition, higher oil prices could worsen the growth prospects and inflation performance of oil-importing MCD countries; worsening international financial market conditions and rising interest rates could reduce capital flows to the region; and further corrections in asset prices in the region could pose a risk to financial stability in some countries. Continued prudent economic policies will help the region absorb potential shocks of this sort. ■

Policy Issues

Improved growth performance in the MCD region in recent years, which has been underpinned by generally good economic policies, high oil and non-oil commodity prices, and strong global growth, is an important and a welcome development. Nevertheless, the region's growth performance has not been enough to make a large dent in unemployment rates, which remain high. In these circumstances, countries must adjust to the more challenging global environment by continuing to reduce vulnerabilities and putting in place policies that will sustain the current growth momentum while maintaining financial stability. In particular, macroeconomic policies need to address the risks and challenges associated with high oil prices, emerging inflationary pressures, a more difficult global environment, and possible further corrections in asset market prices.

For oil-exporting countries, managing booming oil revenues remains the central challenge. Most countries have begun to use the opportunity provided by higher oil revenues to develop the private sector and generate jobs for the rapidly growing labor force, as well as to boost infrastructure and human capital development. In addition, plans are now in place in several countries for a further acceleration in spending, and major investment plans have been launched to increase oil production and refining capacity. These large investments are important to alleviate the tightness in the refined petroleum product markets (Box 5). In addition, to the extent that higher investments in oil and non-oil sectors result in increased imports, this will also help reduce global imbalances. Thus, policies are moving in the right direction. The challenge will now be to ensure that spending plans are accompanied by appropriate structural reforms so that they translate into increased productivity and higher potential output. In this regard, structural and institutional reforms that contribute to increased private sector investment and economic diversification are especially important.

Box 5. Oil and Gas Production and Planned Investments in MCD Countries

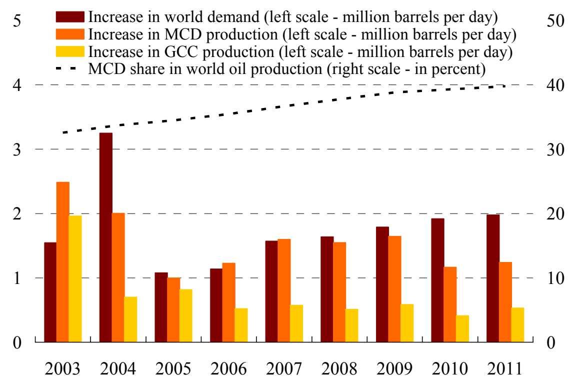
MCD oil-exporting countries are helping to stabilize the world energy market by increasing investments to expand oil and gas output and refining capacity.

Endowed with 71 percent of the world's proven oil reserves and 50 percent of proven gas reserves, MCD countries are helping to reduce volatility in the world energy market by sharply increasing oil and gas production.[1] In 2005, MCD countries accounted for 34 percent of oil production and 20 percent of gas production in the world. Oil production in MCD countries swelled by 23 percent during 2003–05 (Figure 1). Rising production in MCD countries supplied more than 93 percent of the incremental growth in world oil demand over this period, with GCC countries contributing about two-thirds of the increase in MCD countries' production. During the same period, gas production in MCD countries jumped by 19 percent (Figure 2). MCD countries supplied two-fifths of the surge in world gas demand during this period.

MCD countries have also launched ambitious investment plans aimed at increasing oil and gas output and refining capacity over the medium term. Investments planned over the next five years in upstream and downstream oil and gas sectors (including joint ventures with international oil companies) may reach about $330 billion, of which about $200 billion are in the oil sector. Saudi Arabia activated the new Haradh field in February 2006 and plans to expand production in Khursaniyah, Shaybah, and Khurais oil fields are under way. Together with other investments across the region, MCD countries' share in world oil production is projected to increase to 40 percent, and in world gas production to 25 percent by 2011 (Figures 1 and 2).

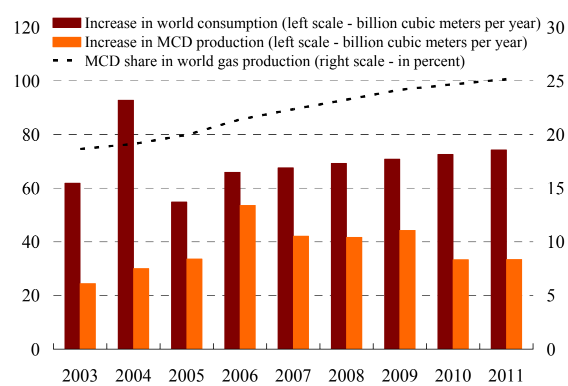
To alleviate the oil refining constraint, and also attracted by the high profit margins, MCD countries have initiated large refining projects, primarily to process heavy Arab crudes. Saudi Arabia's ARAMCO is upgrading the Rabigh refinery and plans to build two new refineries in Yanbu and Jubail in partnership with foreign companies. As a result of these and other planned large investments, MCD countries are expected to account for about one-third of the projected increase in world oil refining capacity during 2006–11, as estimated by the International Energy Agency.[2]

Figure 1. MCD responses to the increases in world demand for oil



Sources: *Medium-Term Oil Market Report,* International Energy Agency, July 2006; and IMF staff estimates and projections.

Figure 2. MCD responses to the increases in world demand for gas



Sources: *BP Statistical Review of World Energy,* 2006. Consumption growth rate of 2.4 percent starting from 2006, based on *US Energy Information Administration Report,* June 2006; and IMF staff estimates and projections.

[1]The data in this box relate to the oil-exporting countries defined in footnote 1 on page 4 and also Egypt, Mauritania, Uzbekistan, and Yemen.
[2]*Medium-Term Oil Market Report,* International Energy Agency, July 2006.

An oil worker checks a sample of crude oil at the Burgan oil field in central Kuwait.

Photo by Scott Nelson/Getty

In oil-importing countries, the major challenge is to adjust to the adverse terms-of-trade shock. The oil price increase is likely to have a substantial permanent component. Most countries have allowed only a partial pass-through of the increase in international prices to domestic prices. The pass-through will need to continue, especially in countries with weaker fiscal and external positions, with simultaneous efforts to strengthen the social safety net to assist the poor. In parallel, fiscal restraint and monetary tightening may be needed to contain inflationary pressures. With fiscal deficits and government debt remaining relatively high in oil-importing MCD countries, especially emerging market countries (Egypt, Jordan, Lebanon, and Morocco), fiscal consolidation will also be needed to move toward debt sustainability and contain balance of payments pressures. For Lebanon, however, this task is now complicated by substantial reconstruction needs.

The non-oil commodity price cycle calls for a medium-term perspective in policies. Some oil-importing MCD countries have benefited from high non-oil commodity prices,[8] which have eased the balance of payments constraints and the need for fiscal adjustment. Given the outlook for non-oil commodity prices, in particular the projected decline in metal prices, the additional revenue generated by the current high prices should be mostly saved or invested to support growth in noncommodity sectors (including through investments in education, health, and infrastructure), rather than used to increase current expenditures (such as wage and pension increases), which will be difficult to reverse when the non-oil commodity price cycle turns.

In LICs, governments are now better placed to address development needs as a result of their improved fiscal and debt positions. Improved policies are also attracting increased financing for investments in these countries. Governments (including in the Kyrgyz Republic, Sudan, and Tajikistan) should carefully balance opportunities for external financing and donor support to raise investments in infrastructure and human capital development with the need to prevent a deterioration in debt ratios and avoid a new cycle of excessive borrowing. In Yemen, fiscal sustainability is an issue in the medium and long term with the projected decline in oil resources.

[8]In particular, prices of aluminum (Tajikistan), copper (Armenia and Georgia), cotton (Tajikistan and Uzbekistan), gold (Kazakhstan, the Kyrgyz Republic, and Uzbekistan), and ferrous and scrap metals in general (Georgia and Mauritania).

The favorable external environment (high commodity prices, capital inflows, and increased remittances) has also created important challenges for monetary policy. Some countries have used foreign exchange receipts to pay down external debt or have transferred them into offshore funds. In many countries, however, foreign exchange inflows have boosted credit and money growth substantially, pushing up both consumer and asset prices. Real exchange rate appreciation will eventually be needed in response to permanently higher inflows. To prevent inflationary pressures from becoming entrenched, it would be preferable to achieve the real appreciation through a nominal appreciation of the currency, where possible. Thus, countries with adjustable exchange rates, such as Afghanistan, Algeria, Armenia, Azerbaijan, Georgia, Iran, Kazakhstan, Pakistan, and Uzbekistan could combine monetary tightening with nominal appreciation to limit inflationary pressures. In countries with institutional commitments to pegged exchange rates, the necessary appreciation in real exchange rates will have to come through higher prices, although in many oil exporters with fixed exchange rates (GCC countries) inflationary pressures and real appreciation are likely to remain moderate because of their open trade and flexible factor markets.

In the financial sector, the strengthening of prudential measures and improvement of risk management practices need to continue. Over the past three years, credit growth accelerated, the banking system intermediated substantial foreign currency liabilities to the private sector, and equity and property prices increased substantially in several MCD countries. These developments raise concerns about increased leverage in private sector balance sheets and their vulnerability to a tightening in external financing conditions; rising financial sector exposure to asset price corrections; and a deterioration in credit quality. The authorities need to monitor such risks carefully and continue to bring regulatory and supervisory frameworks in financial markets up to international standards. Reforms aimed at improving market liquidity, including through the lifting of restrictions in equity markets, and transparency will help reduce asset price volatility without the need for direct government intervention, which should be avoided.

Increased regional cooperation could promote trade and provide incentives for new investments, and thereby help MCD countries' prospects for sustainable high growth rates.

Afghan man changes U.S. dollars into Afghanis from a street money changer at the money exchange market in Kabul.

Photo by Shah Marai/Agence France Presse

In this regard, the GCC countries are preparing for a common market in 2008 and a full monetary union in 2010. In other parts of the region, the Central Asia Regional Economic Cooperation program (CAREC)[9] provides a valuable forum for promoting closer integration in the areas of trade policy, trade facilitation, energy, and transport. The Maghreb countries have also established a framework to enhance regional policy dialogue, initially focusing on trade facilitation (Box 6). Increased regional cooperation and trade liberalization could allow the Maghreb countries to maximize the benefits from their ongoing integration with Europe and the rest of the world. However, to fully exploit the benefits from closer regional cooperation, it is important that governments in the MCD region continue to improve the business environment by streamlining regulations, improving governance, developing infrastructure, and strengthening economic institutions. Furthermore, increased regional cooperation and trade liberalization should facilitate broad-based liberalization in individual countries and complement the multilateral trading system. ■

[9]Participating countries comprise Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.

Box 6. Regional Cooperation in the Maghreb

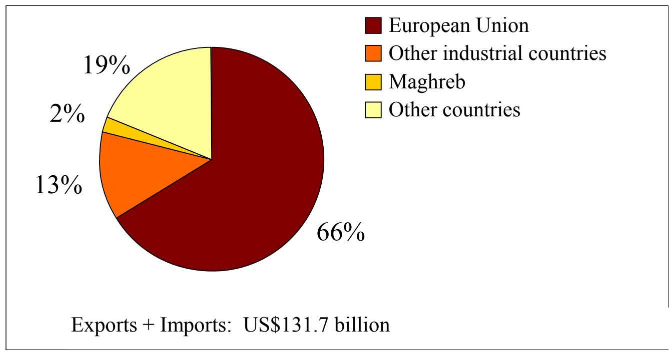
The Maghreb countries (Algeria, Libya, Mauritania, Morocco, and Tunisia) have established a framework to enhance regional cooperation on issues of common interest, focusing initially on trade facilitation.

Over the last decade, the Maghreb countries have increased their trade integration into the world economy, including in the context of the Association Agreements between the European Union and each of Algeria, Morocco, and Tunisia. However, because of tariff and nontariff barriers to regional trade, only a very small share of these countries' international trade is with their immediate neighbors (Figure 1).

Increased regional cooperation and trade liberalization could enable the Maghreb countries to maximize the benefits from their ongoing integration with Europe and the rest of the world. This, in turn, would help them to tackle their main challenges of improving growth prospects and reducing unemployment. Removing obstacles to regional trade in the Maghreb would:

Figure 1. Maghreb international trade, 2004

(regional share in total exports + imports)



Source: IMF, *Direction of Trade Statistics.*

- create a regional market of more than 80 million consumers, large enough to benefit from economies of scale and provide strong incentives for new investments. Giving foreign investors in one Maghreb country direct and easy access to all other Maghreb countries would encourage them to locate in the region; and
- increase the scope for mutually beneficial trade, including by taking advantage of the complementarities in the economic structures of the Maghreb countries. Algeria, Libya, and more recently Mauritania are oil and gas exporters with an increasing demand for imports, while the economies of Morocco and Tunisia are more diversified.

During the IMF Managing Director's visit to Algeria, Morocco, and Tunisia in early 2005, the respective country authorities agreed to establish a pragmatic framework to enhance the regional policy dialogue that would be centered on a series of annual high level conferences on issues of common interest, with the Fund as a facilitator.

The first conference was held in Algiers in November 2005 and focused on trade facilitation in Algeria, Morocco, and Tunisia. Libya and Mauritania were invited to participate in the follow-up work and subsequent conferences.

A work program has been formulated that focuses on seven areas:

(i) harmonizing trade regulations linked to the implementation of free-trade agreements, in particular with regard to nontariff barriers and preferential treatment of goods from the Maghreb, as well as rules and associated procedures of origin; (ii) eliminating trade distortions, in order to reduce informal trade flows; (iii) continuing tariff reforms aimed at simplifying and reducing customs tariffs; (iv) moving ahead with customs reform; (v) streamlining document processing; (vi) improving payment systems; and (vii) improving the logistical chain, including transport infrastructure and services related to trade.

Technical working groups drew up an action plan that includes activating the intra-Maghreb customs committee to reduce trade distortions and informal trade; developing a one-stop document processing system; and creating a private sector-led unit by November 2006 to monitor Maghreb foreign trade. Adopting this action plan would constitute a positive step in bringing down the obstacles to intra-Maghreb trade.

The next regional conference will deal with financial sector reform and prospects for financial integration in the Maghreb countries, and will take place in Morocco in late 2006. A third conference on private sector development will be held in Tunisia in late 2007.

Statistical Appendix

Photo on previous page

Oil drilling platform at the Kashagan oil field on the Caspian shelf in western Kazakhstan, by STR/Reuters Photo Archive.

Data and Conventions

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 (UAE), Uzbekistan, West Bank and Gaza, and Yemen.

The following statistical appendix tables contain data for 30 of the MCD countries. Somalia and 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. Data revisions reflect changes in methodology and/or revisions provided by the authorities.

Tables and charts reflect data available as of end-August 2006.

The data relate to the calendar year, with the following exceptions: (i) For Qatar, fiscal data are on a fiscal year (April/March) basis. For Afghanistan, Egypt, Iran, and Pakistan, all macroeconomic accounts data are on a fiscal year basis. (ii) 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 (i.e., 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.

In Tables 2, 8, and 9, "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 exchange rates and the growth rates of monetary aggregates (Tables 5, 18, and 19) 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 world or group GDP.

Composites for other data relating to the domestic economy (Tables 1, 2, 4, and 6–12) whether growth rates or ratios, are weighted by GDP valued at purchasing power parities (PPPs) as a share of total world or group GDP.

Composites relating to the external economy (Tables 16 and 21) are sums of individual country data after conversion to U.S. dollars at the average market exchange rates in the years indicated for balance of payments data and at end-of-year market exchange rates for debt denominated in U.S. dollars.

Composites of changes in foreign trade (Table 17) are arithmetic averages of percentage changes for individual countries weighted by the U.S. dollar value of total trade as a share of world or groups total trade in the preceding year.

Tables 3, 13, 14, 15, and 20 are sums of the individual country data.

CIS (Commonwealth of Independent States) refers to the CIS countries covered by the MCD department. These countries are Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.

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

GCC (Gulf of Cooperation Council) comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE.

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

Table 1. Real GDP Growth

(Annual change; in percent)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**3.8**	**4.3**	**6.3**	**6.0**	**6.3**	**6.6**	**6.2**
Oil exporters	**3.6**	**4.8**	**7.5**	**6.1**	**6.6**	**6.6**	**6.2**
Algeria	3.6	4.7	6.9	5.2	5.3	4.9	5.0
Azerbaijan	7.7	8.1	10.4	10.2	24.3	25.6	26.4
Bahrain	4.8	5.2	7.2	5.4	6.9	7.1	6.3
Iran	4.2	7.5	6.7	5.6	5.4	5.4	4.9
Iraq	8.2	-7.8	-41.4	46.5	3.7	4.0	14.4
Kazakhstan	6.8	9.8	9.3	9.6	9.4	8.3	7.7
Kuwait	2.5	5.1	13.4	6.2	8.5	6.2	4.7
Libya[1]	1.7	3.3	9.1	4.6	3.5	5.0	4.6
Oman	3.6	2.6	2.0	5.6	6.7	7.1	5.7
Qatar	7.4	7.3	5.9	11.2	6.5	6.7	4.7
Saudi Arabia	1.5	0.1	7.7	5.3	6.6	5.8	6.5
Syria	2.4	3.7	1.0	3.1	2.9	3.2	3.7
Turkmenistan	15.6	15.8	17.1	14.7	9.6	9.0	9.0
United Arab Emirates[1]	4.0	2.6	11.9	9.7	8.5	11.5	5.8
Low-income countries	**4.9**	**5.4**	**5.9**	**6.2**	**7.2**	**9.2**	**8.4**
Afghanistan	28.6	28.6	15.7	8.0	14.0	12.0	11.1
Armenia	7.9	13.2	13.9	10.1	13.9	7.5	6.0
Djibouti	1.6	2.6	3.2	3.0	3.2	4.2	5.0
Georgia	3.6	5.5	11.1	5.9	9.3	7.5	6.5
Kyrgyz Republic	3.3	0.0	7.0	7.0	-0.6	5.0	5.5
Mauritania	3.1	1.1	5.6	5.2	5.4	14.1	10.6
Sudan	5.7	6.4	4.9	5.2	7.9	12.1	11.3
Tajikistan	7.3	9.1	10.2	10.6	6.7	8.0	6.0
Uzbekistan	4.1	4.0	4.2	7.7	7.0	7.2	7.0
Yemen	4.3	3.9	3.1	2.6	3.8	3.9	2.5
Emerging markets	**4.0**	**3.1**	**4.4**	**5.8**	**5.7**	**5.9**	**5.9**
Egypt	5.1	3.2	3.1	4.1	4.9	5.6	5.6
Jordan	4.3	5.8	4.2	8.4	7.2	6.0	5.0
Lebanon	1.9	2.9	5.0	6.0	1.0	-3.2	5.0
Morocco	3.6	3.2	5.5	4.2	1.7	7.3	3.3
Pakistan	3.1	3.2	4.9	7.4	8.0	6.2	7.0
Tunisia	4.4	1.7	5.6	6.0	4.2	5.8	6.0
Memorandum items:							
CIS	**6.0**	**7.8**	**8.7**	**9.0**	**10.9**	**10.8**	**11.0**
MENA	**3.7**	**4.1**	**6.3**	**5.4**	**5.5**	**6.1**	**5.5**
Of which							
GCC	**2.5**	**1.6**	**8.5**	**6.6**	**7.1**	**7.2**	**6.1**
Maghreb	**3.5**	**3.6**	**6.6**	**5.0**	**4.0**	**5.8**	**4.8**

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

[1]Data are at factor cost.

Table 2. Real Oil and Non-Oil GDP Growth for Oil Exporters

(Annual change; in percent)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
				Non-Oil GDP			
Oil exporters	**4.4**	**6.3**	**6.4**	**6.5**	**6.9**	**6.8**	**6.2**
Algeria[1]	3.7	5.3	6.0	6.2	5.1	5.5	6.0
Azerbaijan	4.2	10.5	15.2	13.5	8.4	9.6	7.0
Bahrain	4.4	6.0	8.3	8.6	9.0	8.0	7.0
Iran	4.7	7.8	6.6	5.9	5.8	5.4	4.8
Iraq	4.1	0.2	-40.2	14.9	12.0	10.0	10.0
Kazakhstan	7.6	7.6	8.8	8.4	11.0	9.4	8.8
Kuwait	6.1	13.6	10.0	5.3	6.8	6.9	6.3
Libya[2]	3.1	4.7	2.5	4.1	4.5	4.0	3.5
Oman	4.5	5.1	6.0	9.7	9.3	8.0	6.3
Qatar	4.9	7.7	5.3	8.0	7.7	7.2	6.9
Saudi Arabia	3.2	3.7	3.7	4.6	6.8	7.8	7.6
Syria	4.0	3.0	3.9	5.0	5.5	5.5	6.1
Turkmenistan	17.6	16.9	17.7	16.2	9.7	8.9	8.9
United Arab Emirates[2]	7.0	7.7	11.2	12.6	11.0	10.5	6.6
				Oil GDP			
Oil exporters	**1.5**	**1.8**	**10.4**	**4.7**	**4.8**	**5.5**	**5.1**
Algeria[1]	3.4	3.7	8.8	3.3	5.6	3.5	3.0
Azerbaijan	20.0	3.6	0.7	2.5	65.3	52.6	49.9
Bahrain	7.3	1.3	1.1	-11.5	-7.6	0.3	0.3
Iran	0.6	5.1	7.7	3.4	2.5	5.0	5.1
Iraq	13.4	-13.6	-42.3	74.2	-1.1	0.0	17.5
Kazakhstan	17.3	22.4	11.6	15.4	2.3	2.9	2.2
Kuwait	-2.7	-7.9	19.8	7.7	11.3	5.2	2.0
Libya[2]	-1.3	-0.4	26.9	5.6	1.4	7.1	6.7
Oman	2.1	-2.1	-5.9	-3.2	0.3	4.6	4.2
Qatar	9.8	7.1	6.3	13.5	5.6	6.4	3.2
Saudi Arabia	-1.8	-7.5	17.2	6.7	5.9	1.6	4.1
Syria	-1.3	5.8	-7.3	-3.0	-6.5	-5.7	-6.7
Turkmenistan	22.2	5.4	11.3	-1.7	7.7	10.0	10.0
United Arab Emirates[2]	-1.3	-7.6	13.6	2.9	2.1	14.1	3.5

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

[1]Real non-oil growth data are slightly different from official statistics because of different methodologies used by IMF staff and Algerian authorities.

[2]Data are at factor cost.

Table 3. Nominal Gross Domestic Product

(In billions of U.S. dollars)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**839.5**	**898.6**	**1021.1**	**1224.7**	**1471.3**	**1797.5**	**2039.2**
Oil exporters	**549.4**	**605.0**	**701.8**	**868.3**	**1073.5**	**1339.7**	**1529.8**
Algeria	52.8	57.1	68.0	85.0	102.0	124.1	137.2
Azerbaijan	5.2	6.2	7.3	8.7	12.6	21.2	33.0
Bahrain	7.4	8.4	9.7	11.0	13.5	16.0	18.0
Iran	106.2	116.4	133.7	161.5	192.3	245.0	292.9
Iraq	...	...	...	25.7	34.5	47.0	60.9
Kazakhstan	20.7	24.6	30.9	43.2	56.1	71.1	84.6
Kuwait	33.4	38.1	46.2	55.7	74.6	92.8	100.2
Libya	28.3	19.2	23.4	30.2	38.7	49.0	56.0
Oman	18.0	20.3	21.8	24.8	30.7	38.5	42.4
Qatar	15.6	19.7	23.7	28.5	34.3	44.9	50.9
Saudi Arabia	173.6	188.8	214.9	250.7	309.9	363.7	403.4
Syria	19.3	22.8	22.7	24.7	27.3	29.4	30.3
Turkmenistan	5.5	8.7	11.4	14.2	17.1	20.1	23.7
United Arab Emirates	63.4	74.6	88.2	104.6	129.6	176.8	196.2
Low-income countries	**44.9**	**49.0**	**56.3**	**68.1**	**82.3**	**101.9**	**118.3**
Afghanistan	4.1	4.1	4.6	6.0	7.3	8.9	10.3
Armenia	2.0	2.4	2.8	3.6	4.9	5.6	6.2
Djibouti	0.6	0.6	0.6	0.7	0.7	0.8	0.8
Georgia	3.2	3.4	4.0	5.1	6.4	7.5	8.4
Kyrgyz Republic	1.5	1.6	1.9	2.2	2.4	2.6	2.9
Mauritania	1.2	1.1	1.3	1.5	1.9	2.8	3.5
Sudan	12.6	15.1	17.6	21.5	27.5	37.6	45.7
Tajikistan	1.1	1.2	1.6	2.1	2.3	2.6	2.9
Uzbekistan	13.4	9.7	10.1	12.0	13.7	16.1	18.2
Yemen	8.5	9.8	11.9	13.6	15.2	17.5	19.3
Emerging markets	**245.2**	**244.6**	**262.9**	**288.2**	**315.5**	**355.9**	**391.1**
Egypt	91.4	87.5	81.4	78.8	89.5	103.3	111.8
Jordan	8.6	9.6	10.2	11.4	12.7	14.3	15.9
Lebanon	17.2	18.5	19.9	21.8	22.1	22.3	24.1
Morocco	34.9	36.1	43.8	50.0	51.6	56.9	61.1
Pakistan	72.9	71.9	82.6	98.1	111.0	129.0	145.1
Tunisia	20.2	21.1	25.0	28.1	28.7	30.0	33.1
Memorandum items:							
CIS	**47.2**	**49.1**	**58.5**	**76.8**	**98.3**	**126.8**	**156.2**
MENA	**713.1**	**764.9**	**863.9**	**1003.9**	**1203.0**	**1465.7**	**1642.9**
Of which							
GCC	**311.4**	**350.0**	**404.4**	**475.2**	**592.8**	**732.7**	**811.2**
Maghreb	**137.3**	**134.6**	**161.5**	**194.8**	**222.9**	**262.8**	**290.9**

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

Table 4. Consumer Price Index

(Annual change; year average in percent)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**5.9**	**5.4**	**5.5**	**6.5**	**7.2**	**7.1**	**7.3**
Oil exporters	**5.8**	**5.7**	**6.6**	**6.8**	**6.4**	**7.6**	**8.1**
Algeria	2.7	1.4	2.6	3.6	1.6	5.0	5.5
Azerbaijan	-0.6	2.8	2.2	6.7	9.7	8.7	10.5
Bahrain	-0.8	-0.5	1.7	2.3	2.6	2.6	3.0
Iran	15.6	15.8	15.6	15.2	12.1	14.0	15.0
Iraq	12.7	19.3	35.1	7.8	38.5	30.0	17.0
Kazakhstan	8.7	5.9	6.4	6.9	7.6	8.5	7.9
Kuwait	1.5	0.8	1.0	1.3	3.9	3.5	3.0
Libya	-3.1	-9.9	-2.1	-2.2	2.5	3.0	3.5
Oman	-0.3	-0.2	0.2	0.8	1.9	3.5	2.0
Qatar	1.7	0.2	2.3	6.8	8.8	9.0	8.0
Saudi Arabia	-0.7	0.2	0.6	0.4	0.7	1.0	1.0
Syria	-1.1	-0.5	5.8	4.4	7.2	5.6	14.4
Turkmenistan	13.7	8.8	5.6	5.9	10.7	9.0	8.0
United Arab Emirates	2.2	2.9	3.1	5.0	8.0	7.7	5.0
Low-income countries	**18.5**	**16.8**	**9.3**	**8.4**	**11.1**	**10.3**	**7.7**
Afghanistan	...	...	5.1	24.1	13.2	12.3	8.2
Armenia	2.5	1.1	4.7	7.0	0.6	2.0	3.0
Djibouti	1.3	0.6	2.0	3.1	3.1	3.0	3.0
Georgia	7.4	5.6	4.8	5.7	8.3	9.6	6.0
Kyrgyz Republic	14.8	2.1	3.1	4.1	4.3	5.7	5.0
Mauritania	5.9	5.4	5.3	10.4	12.1	6.0	5.1
Sudan	10.9	8.3	7.7	8.4	8.5	7.0	5.0
Tajikistan	30.9	12.2	16.4	7.1	7.1	8.9	7.8
Uzbekistan	40.5	44.3	14.8	8.8	21.0	19.3	14.5
Yemen	10.9	12.2	10.8	12.5	11.8	15.5	13.1
Emerging markets	**3.5**	**2.5**	**2.7**	**5.6**	**7.8**	**5.5**	**5.6**
Egypt	3.3	2.4	3.2	10.3	11.4	4.1	6.2
Jordan	1.6	1.8	1.6	3.4	3.5	6.3	5.7
Lebanon	1.2	1.8	1.3	-1.3	0.3	4.5	3.0
Morocco	1.8	2.8	1.2	1.5	1.0	2.5	2.0
Pakistan	4.8	2.5	3.1	4.6	9.3	7.9	7.3
Tunisia	2.6	2.7	2.7	3.6	2.0	3.9	2.0
Memorandum items:							
CIS	**15.5**	**13.6**	**7.6**	**7.1**	**10.0**	**10.1**	**9.1**
MENA	**5.1**	**5.0**	**5.6**	**6.8**	**6.5**	**6.6**	**7.0**
Of which							
GCC	**0.2**	**0.8**	**1.2**	**1.8**	**2.9**	**3.2**	**2.4**
Maghreb	**1.7**	**0.6**	**1.7**	**2.4**	**1.8**	**4.0**	**3.8**

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

Table 5. Broad Money

(Annual change; in percent)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**14.6**	**17.1**	**14.5**	**20.2**	**21.2**	**18.5**	**14.9**
Oil exporters	**15.3**	**18.4**	**13.5**	**21.9**	**22.7**	**20.0**	**15.5**
Algeria	22.5	17.4	15.6	11.5	10.8	13.4	15.6
Azerbaijan	14.7	14.4	29.8	47.5	22.1	80.0	30.0
Bahrain	10.1	10.3	6.3	4.2	22.0	14.1	13.0
Iran	27.1	34.8	24.6	31.0	38.7	41.3	30.0
Iraq	...	...	...	...	...	...	...
Kazakhstan	38.6	32.8	26.8	70.0	25.2	28.0	25.0
Kuwait	4.9	4.8	7.8	12.1	15.6	5.7	7.0
Libya	7.9	10.9	8.1	9.2	29.2	10.3	11.2
Oman	6.3	5.2	2.5	4.0	21.2	18.9	14.1
Qatar	12.3	7.6	4.8	20.8	42.9	-2.0	17.2
Saudi Arabia	7.0	15.2	8.2	19.1	11.4	10.7	10.5
Syria	17.0	18.5	7.7	11.1	12.9	9.5	14.7
Turkmenistan	43.6	1.5	40.9	13.4	27.2	17.7	17.7
United Arab Emirates	12.4	15.6	16.1	23.2	33.8	26.6	5.8
Low-income countries	**28.6**	**27.0**	**25.5**	**30.8**	**34.5**	**29.0**	**21.1**
Afghanistan	...	...	40.9	37.5	15.1	18.4	10.1
Armenia	25.5	34.0	10.4	22.3	27.8	21.0	20.1
Djibouti	7.5	15.7	17.8	13.9	11.3	19.3	16.7
Georgia	19.0	17.9	22.8	42.6	26.4	31.0	18.0
Kyrgyz Republic	22.8	34.1	33.5	32.0	9.9	35.8	24.0
Mauritania	17.9	23.8	25.5	13.5	14.6	15.8	15.0
Sudan	28.3	30.3	30.3	32.1	44.7	32.0	22.0
Tajikistan	46.4	42.9	28.6	14.1	23.9	28.1	17.5
Uzbekistan	38.2	29.7	27.1	47.8	54.3	41.0	32.5
Yemen	17.5	18.0	20.0	15.0	14.4	16.0	12.0
Emerging markets	**10.7**	**12.5**	**14.9**	**13.9**	**14.6**	**11.8**	**11.7**
Egypt	11.2	15.6	16.9	13.2	13.6	13.8	14.7
Jordan	8.6	7.0	12.4	11.7	17.0	14.6	10.0
Lebanon[1]	10.6	6.4	15.4	12.3	3.5	2.0	6.0
Morocco	9.0	6.3	8.6	7.7	14.0	8.2	7.6
Pakistan	10.9	15.4	18.0	19.6	19.3	14.1	13.4
Tunisia	10.9	5.2	6.3	10.3	10.8	10.6	8.0
Memorandum items:							
CIS	**33.9**	**29.1**	**26.5**	**56.0**	**29.6**	**36.5**	**25.9**
MENA	**13.6**	**16.6**	**13.4**	**17.9**	**20.8**	**17.6**	**14.2**
Of which							
GCC	**8.4**	**13.1**	**9.2**	**18.1**	**19.4**	**13.3**	**9.7**
Maghreb	**13.9**	**11.5**	**11.1**	**9.9**	**14.4**	**11.2**	**12.0**

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

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

Table 6. Central Government Fiscal Balance

(In percent of GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**-1.6**	**-2.1**	**0.5**	**2.2**	**5.5**	**7.0**	**7.6**
Oil exporters	**0.2**	**-0.3**	**3.7**	**6.2**	**12.6**	**15.1**	**16.0**
Algeria	1.5	0.2	7.8	6.9	14.2	16.9	15.8
Azerbaijan	-2.1	-0.5	-0.8	1.0	2.7	11.8	37.0
Bahrain	-0.6	-3.9	-2.0	0.3	1.4	4.2	4.7
Iran	0.1	-2.4	-0.1	-0.3	4.0	6.5	5.6
Iraq	...	...	...	-40.6	9.8	-4.0	0.1
Kazakhstan[1]	-1.9	1.4	2.9	2.6	6.0	5.9	3.6
Kuwait	20.5	19.3	18.0	23.6	46.9	58.0	62.5
Libya	5.0	5.2	14.2	17.5	32.4	42.1	45.1
Oman	3.9	5.6	5.8	8.5	14.5	18.1	17.6
Qatar	0.8	8.4	4.3	18.9	11.8	18.1	19.7
Saudi Arabia	-4.3	-5.9	1.2	9.6	18.4	18.5	20.3
Syria[1]	-1.1	-2.0	-2.6	-4.3	-4.2	-3.2	-1.6
Turkmenistan	-0.4	0.2	-1.3	0.4	0.9	1.1	1.1
United Arab Emirates[2]	1.6	10.5	13.8	19.5	27.4	30.2	31.4
Low-income countries	**-1.9**	**0.0**	**-1.1**	**0.1**	**-1.5**	**-0.5**	**0.1**
Afghanistan	-0.1	-0.1	-3.0	-1.2	0.4	-1.5	-2.2
Armenia	-4.6	-0.4	-1.1	-1.8	-2.6	-2.8	-2.8
Djibouti	-1.4	-3.7	-2.3	-2.1	0.2	-1.2	-1.3
Georgia[1]	-4.2	-2.0	-2.5	3.2	-1.5	-1.9	-2.1
Kyrgyz Republic[1]	-9.2	-5.3	-4.7	-4.5	-3.9	-3.5	-3.6
Mauritania	-5.2	-2.9	-11.8	-4.8	-7.0	4.5	3.0
Sudan	0.0	3.1	0.7	1.5	-1.8	0.2	3.0
Tajikistan[1]	-3.7	-2.4	-1.8	-3.2	-2.9	-4.5	-5.0
Uzbekistan[1]	-2.5	-1.9	0.1	0.6	1.2	0.1	-1.5
Yemen	0.6	-1.2	-4.8	-2.3	-2.4	-0.9	-3.8
Emerging markets	**-4.4**	**-5.8**	**-4.8**	**-4.4**	**-5.4**	**-5.3**	**-5.3**
Egypt[1]	-3.2	-9.2	-9.0	-8.3	-9.1	-8.3	-8.1
Jordan	-4.5	-4.9	-1.0	-1.7	-5.2	-4.4	-2.5
Lebanon	-17.5	-14.1	-13.2	-8.5	-8.0	-13.8	-15.7
Morocco	-4.5	-4.4	-4.9	-4.3	-5.5	-3.7	-3.2
Pakistan[1]	-4.5	-3.6	-1.4	-1.8	-3.0	-3.7	-4.1
Tunisia[1]	-2.7	-2.8	-3.1	-2.5	-3.0	-2.6	-2.6
Memorandum items:							
CIS	**-2.7**	**-0.3**	**0.8**	**1.3**	**3.0**	**4.2**	**8.2**
MENA	**-1.0**	**-2.1**	**0.7**	**3.0**	**7.3**	**9.3**	**9.7**
Of which							
GCC	**-0.3**	**0.8**	**5.5**	**12.9**	**21.5**	**23.6**	**25.2**
Maghreb	**-0.4**	**-0.9**	**3.3**	**3.7**	**8.5**	**11.5**	**11.4**

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.

Table 7. Central Government Total Revenue Excluding Grants

(In percent of GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**26.7**	**27.4**	**28.7**	**30.4**	**33.2**	**34.6**	**35.0**
Oil exporters	**30.7**	**32.1**	**33.8**	**36.7**	**41.2**	**42.3**	**43.2**
Algeria	33.0	35.3	36.9	36.1	41.1	43.6	44.7
Azerbaijan	21.0	27.1	26.7	26.8	26.8	35.9	56.4
Bahrain	28.9	31.1	30.9	30.9	30.4	32.9	31.7
Iran	25.9	26.8	27.6	30.5	32.6	34.1	32.9
Iraq	...	...	...	70.9	72.0	69.4	69.0
Kazakhstan[1]	20.9	22.5	25.4	24.6	28.6	28.3	27.4
Kuwait	64.0	61.3	56.6	60.5	77.6	84.8	89.1
Libya	42.9	51.4	54.4	59.1	73.9	73.9	75.2
Oman	42.3	44.4	45.2	47.5	51.1	51.4	51.0
Qatar	36.8	41.1	35.6	53.3	49.2	50.2	50.4
Saudi Arabia	30.0	30.1	34.5	41.8	48.6	48.3	49.5
Syria[1]	27.1	26.5	28.8	27.6	26.5	27.5	31.4
Turkmenistan	20.9	18.2	18.0	19.3	20.5	20.8	21.2
United Arab Emirates[2]	37.4	42.1	42.1	43.8	49.9	48.9	49.3
Low-income countries	**21.0**	**21.1**	**22.3**	**23.9**	**25.4**	**26.5**	**28.8**
Afghanistan	3.2	3.2	4.5	4.5	5.2	6.0	6.8
Armenia	16.1	15.4	14.6	15.0	15.4	15.4	16.1
Djibouti	23.8	23.3	28.0	28.8	30.9	29.1	27.8
Georgia[1]	15.1	15.5	15.7	20.8	22.5	22.2	22.9
Kyrgyz Republic[1]	20.0	21.7	21.7	22.3	23.9	24.7	25.1
Mauritania	22.3	30.4	30.7	29.7	24.4	29.6	25.4
Sudan	9.5	11.8	16.2	19.9	22.0	24.0	30.2
Tajikistan[1]	15.1	16.5	17.0	17.3	19.3	19.3	19.4
Uzbekistan[1]	36.7	33.4	32.3	31.4	31.6	31.9	32.3
Yemen	31.9	32.0	30.5	31.2	38.1	39.7	35.5
Emerging markets	**21.0**	**20.7**	**21.3**	**20.9**	**20.8**	**22.8**	**22.3**
Egypt[1]	27.4	24.2	25.4	24.5	24.3	31.2	30.2
Jordan	26.1	24.5	23.0	25.7	28.0	30.0	29.5
Lebanon	18.9	21.0	22.0	22.8	22.3	19.8	20.9
Morocco	25.8	24.7	24.6	25.3	27.2	26.4	26.0
Pakistan[1]	13.4	14.2	14.9	14.1	13.7	13.7	13.6
Tunisia[1]	29.4	29.9	29.5	29.8	29.8	29.6	29.2
Memorandum items:							
CIS	**24.0**	**24.4**	**25.4**	**25.1**	**27.3**	**28.8**	**32.8**
MENA	**29.4**	**30.0**	**31.5**	**33.9**	**37.4**	**39.1**	**39.3**
Of which							
GCC	**35.3**	**36.5**	**38.5**	**44.3**	**50.8**	**51.1**	**52.1**
Maghreb	**31.6**	**33.5**	**34.6**	**35.1**	**39.7**	**40.5**	**40.9**

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 8. Central Government Non-Oil Fiscal Balance

(In percent of non-oil GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Oil exporters	**-27.2**	**-32.4**	**-31.7**	**-33.6**	**-36.0**	**-37.5**	**-37.0**
Algeria	-29.5	-32.5	-27.7	-30.3	-31.0	-36.1	-40.5
Azerbaijan	-8.8	-16.5	-17.3	-13.2	-12.0	-25.5	-25.0
Bahrain	-25.4	-33.9	-33.1	-29.3	-28.8	-30.3	-29.0
Iran	-16.8	-24.0	-21.8	-25.6	-24.5	-25.1	-22.9
Iraq	...	...	...	...	...	...	...
Kazakhstan[1]	-4.8	-3.9	-4.1	-5.4	-7.5	-7.4	-9.1
Kuwait	-39.8	-44.9	-47.5	-48.7	-39.4	-31.9	-28.3
Libya	-37.6	-73.9	-88.9	-109.9	-158.0	-163.3	-169.5
Oman	-52.1	-55.8	-56.6	-64.9	-66.5	-69.5	-70.4
Qatar	-50.4	-42.1	-47.0	-42.6	-61.3	-56.5	-50.9
Saudi Arabia	-41.9	-46.9	-46.7	-46.5	-52.3	-55.2	-54.8
Syria[1]	-17.7	-18.9	-22.0	-20.2	-16.8	-16.9	-13.9
Turkmenistan	-10.6	-9.7	-12.2	-9.2	-9.5	...	...
United Arab Emirates[2]	-32.0	-30.7	-28.0	-21.3	-17.3	-14.9	-12.1

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 9. Central Government Non-Oil Revenue

(In percent of non-oil GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Oil exporters	**15.9**	**16.0**	**15.5**	**17.0**	**17.8**	**18.6**	**19.6**
Algeria	16.5	19.4	17.5	17.0	17.5	17.8	19.1
Azerbaijan[1]	22.2	23.7	22.1	24.3	29.2	28.9	26.9
Bahrain	12.3	12.4	10.6	10.5	10.1	9.8	8.5
Iran	13.9	13.8	14.2	15.6	15.6	15.5	16.1
Iraq	...	...	...	...	...	...	...
Kazakhstan[2]	23.3	23.6	26.0	21.3	27.9	28.4	27.5
Kuwait	38.3	27.4	24.4	29.1	37.1	43.8	46.5
Libya	23.5	23.2	18.8	26.0	23.0	28.1	30.3
Oman	16.5	16.7	18.6	15.5	17.5	18.8	20.4
Qatar	23.6	33.5	32.1	48.2	47.6	47.9	47.3
Saudi Arabia	11.5	10.6	9.8	12.1	10.8	11.9	12.6
Syria[2]	18.0	17.9	17.8	21.1	22.9	22.5	27.3
Turkmenistan	16.0	12.6	10.7	12.4	13.2	...	...
United Arab Emirates[3]	17.1	12.6	11.8	14.1	16.7	17.9	19.9

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

[1]Including tax credits granted to the State Oil Company for underpayments by domestic consumers for energy deliveries.

[2]General government.

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

Table 10. Central Government Total Expenditure and Net Lending

(In percent of GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**28.6**	**29.9**	**28.9**	**28.6**	**27.9**	**27.7**	**27.6**
Oil exporters	**30.6**	**32.2**	**30.3**	**30.6**	**28.6**	**27.2**	**27.2**
Algeria[1]	31.6	35.0	29.2	29.3	26.9	26.7	28.8
Azerbaijan[2]	23.1	27.7	28.5	25.9	24.3	24.2	19.5
Bahrain	29.2	32.5	29.6	26.7	25.3	24.3	22.7
Iran	25.7	29.2	27.7	30.8	28.6	27.6	27.3
Iraq	...	...	...	120.6	87.4	91.0	71.0
Kazakhstan[3]	23.0	21.0	22.5	22.0	22.6	22.4	23.7
Kuwait	43.5	42.0	38.6	36.9	30.7	26.8	26.6
Libya	37.4	41.2	44.6	44.0	41.6	31.7	30.0
Oman	38.4	38.9	39.5	39.1	36.6	33.4	33.4
Qatar	36.0	32.7	31.3	34.4	37.5	32.1	30.7
Saudi Arabia	34.4	36.1	33.3	32.1	30.2	29.8	29.3
Syria[3]	28.1	28.5	31.4	31.9	30.7	30.7	33.0
Turkmenistan	21.3	18.1	19.4	18.9	19.7	19.7	20.2
United Arab Emirates[4]	35.8	31.6	28.3	24.3	22.5	18.7	18.0
Low-income countries	**23.5**	**22.3**	**24.2**	**24.4**	**27.3**	**27.7**	**29.3**
Afghanistan	8.5	8.5	14.0	13.9	14.7	15.7	15.8
Armenia	22.4	19.3	18.9	17.2	18.4	19.8	20.3
Djibouti	32.1	32.9	36.3	37.7	36.8	34.9	31.2
Georgia[3]	19.8	17.8	18.7	18.9	25.0	25.5	26.6
Kyrgyz Republic[3]	30.3	28.1	27.0	27.5	28.2	28.8	29.4
Mauritania	30.5	37.6	47.2	37.7	33.5	28.9	23.6
Sudan	9.5	8.7	15.4	18.4	23.8	24.2	27.5
Tajikistan[3]	18.9	19.2	19.1	20.3	23.0	24.1	25.0
Uzbekistan[3]	39.7	37.6	33.4	31.6	30.7	32.1	34.0
Yemen	32.2	34.8	35.7	34.2	40.5	41.1	39.9
Emerging markets	**26.1**	**27.8**	**27.6**	**26.2**	**26.8**	**28.6**	**28.0**
Egypt[3]	31.2	34.6	35.2	33.8	33.9	40.0	38.8
Jordan	34.8	34.5	35.8	38.4	38.2	38.1	33.2
Lebanon	36.5	35.1	35.2	31.3	30.2	33.6	36.5
Morocco	30.4	29.4	29.6	29.9	33.1	30.5	29.6
Pakistan[3]	18.7	19.7	18.7	16.4	17.0	17.9	17.8
Tunisia[3]	32.4	33.1	32.8	32.5	32.9	32.5	32.0
Memorandum items:							
CIS	**27.1**	**25.4**	**25.2**	**24.2**	**24.6**	**24.8**	**24.8**
MENA	**30.6**	**32.2**	**31.1**	**31.3**	**30.3**	**29.9**	**29.7**
Of which							
GCC	**35.6**	**35.6**	**32.9**	**31.3**	**29.2**	**27.4**	**26.8**
Maghreb	**32.1**	**34.0**	**32.0**	**31.9**	**31.4**	**29.2**	**29.6**

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

[1]General government.

[2]Expenditure does not include statistical discrepancy.

[3]General government.

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

Table 11. Central Government Wages and Salaries

(In percent of GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**10.4**	**9.5**	**9.1**	**9.1**	**7.8**	**7.3**	**7.3**
Oil exporters	**11.3**	**10.1**	**9.4**	**9.4**	**7.5**	**6.8**	**6.9**
Algeria	8.1	7.6	7.6	7.3	6.5	5.5	6.9
Azerbaijan	4.7	4.2	4.4	5.0	4.9	4.2	3.4
Bahrain	14.8	14.7	14.1	13.0	11.7	10.4	9.7
Iran	12.0	9.7	9.6	9.6	6.5	6.0	5.8
Iraq	...	...	...	9.3	12.8	12.1	11.4
Kazakhstan[1]	3.4	3.5	3.2	3.6	3.4	3.3	3.5
Kuwait	15.5	14.6	13.0	11.6	9.6	8.3	8.1
Libya	13.5	10.4	9.4	9.1	8.8	7.1	6.5
Oman	9.2	9.2	9.1	8.5	7.2	6.1	5.9
Qatar	10.6	8.4	7.3	7.3	5.3	4.4	4.2
Saudi Arabia	17.0	17.1	14.8	15.7	12.6	11.8	12.2
Syria[1]	4.1	4.7	5.3	5.6	6.0	6.6	6.6
Turkmenistan	7.8	6.9	8.4	8.5	10.5	9.1	7.8
United Arab Emirates[2]	6.0	5.5	4.9	4.1	3.3	2.6	2.3
Low-income countries	**4.5**	**5.1**	**5.0**	**5.2**	**5.7**	**6.0**	**6.1**
Afghanistan	...	...	6.5	6.6	5.6	5.7	5.6
Armenia	2.7	2.1	2.2	2.1	2.0	2.1	2.2
Djibouti	15.0	13.9	14.2	13.8	13.4	12.5	11.6
Georgia[1]	3.0	2.4	3.1	3.2	3.9	3.4	3.5
Kyrgyz Republic[1]	4.9	5.4	5.7	5.8	6.3	6.3	6.3
Mauritania	6.1	6.7	7.2	6.7	6.3	5.0	4.4
Sudan	3.4	4.1	4.2	4.9	4.5	4.9	5.4
Tajikistan[1]	3.4	3.2	2.8	2.7	3.7	4.5	4.6
Uzbekistan[1]	6.7	6.6	6.5	6.2	9.0	9.4	9.6
Yemen	7.1	7.7	6.6	6.4	6.8	7.3	7.0
Emerging markets	**9.2**	**9.6**	**9.7**	**9.5**	**9.7**	**9.4**	**9.2**
Egypt[1]	7.1	8.1	8.2	7.8	7.8	7.8	7.7
Jordan[3]	6.1	6.0	5.8	5.5	5.5	5.2	5.0
Lebanon	7.7	7.7	7.4	7.0	7.0	7.1	6.6
Morocco	12.0	12.2	12.7	12.7	13.6	12.1	11.7
Pakistan[1]	...	...	...	...	...	...	...
Tunisia[1]	11.8	12.4	12.4	12.3	12.5	12.4	12.4
Memorandum items:							
CIS	**4.0**	**4.2**	**4.1**	**4.3**	**4.8**	**4.6**	**4.6**
MENA	**10.8**	**10.1**	**9.6**	**9.6**	**8.2**	**7.6**	**7.7**
Of which							
GCC	**13.9**	**13.6**	**11.9**	**12.0**	**9.7**	**8.9**	**8.9**
Maghreb	**10.4**	**9.9**	**9.9**	**9.7**	**9.5**	**8.5**	**8.9**

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]Data do not include wages of the military or security forces.

Table 12. Total Government Debt

(In percent of GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**66.0**	**62.3**	**58.7**	**52.3**	**46.5**	**39.2**	**35.4**
Oil exporters	**51.0**	**42.8**	**37.4**	**31.2**	**23.4**	**15.2**	**11.4**
Algeria	71.9	53.5	43.8	36.6	28.5	20.1	16.2
Azerbaijan	22.0	23.0	21.8	20.2	15.3	11.6	8.9
Bahrain	29.0	32.2	37.1	35.1	30.3	26.0	23.5
Iran	28.3	20.7	19.5	20.1	17.4	13.5	10.7
Iraq	...	...	...	356.6	190.8	108.9	88.3
Kazakhstan[1]	21.1	17.7	14.9	11.4	8.2	6.8	6.7
Kuwait	40.0	30.0	23.8	18.5	13.1	10.0	9.0
Libya	51.6	33.7	27.4	1.6	1.2	0.9	0.0
Oman	27.4	17.4	16.4	15.5	10.8	8.4	7.4
Qatar	59.9	47.1	41.5	34.0	30.5	23.1	20.3
Saudi Arabia	96.7	96.9	82.0	65.0	39.6	15.2	7.1
Syria[1]	62.9	60.1	61.9	57.0	60.2	55.2	49.8
Turkmenistan	42.1	19.1	13.6	9.2	6.1	3.9	2.4
United Arab Emirates	5.5	5.3	6.7	8.4	9.6	9.0	7.3
Low-income countries	**112.3**	**105.2**	**96.9**	**81.4**	**70.1**	**55.3**	**48.9**
Afghanistan	...	...	...	...	...	...	...
Armenia	42.5	46.6	40.9	32.6	24.3	23.4	22.6
Djibouti	62.5	64.5	67.3	66.1	59.3	56.5	58.6
Georgia[1]	63.3	62.9	60.8	47.1	36.2	29.1	24.9
Kyrgyz Republic[1]	108.7	108.7	103.7	96.4	89.8	83.9	78.5
Mauritania	213.1	194.5	190.1	180.9	159.4	66.5	49.9
Sudan	180.4	161.2	151.6	126.1	106.8	81.6	69.6
Tajikistan[1]	108.5	87.0	68.0	43.9	47.1	45.7	44.5
Uzbekistan[1]	43.0	54.6	43.4	36.5	29.9	23.9	20.7
Yemen	77.6	54.0	52.3	44.9	41.7	37.7	38.1
Emerging markets	**81.6**	**85.8**	**87.2**	**82.6**	**81.6**	**77.4**	**74.0**
Egypt[1]	82.0	97.7	111.4	109.9	112.5	109.7	105.5
Jordan[1]	103.5	102.1	99.6	91.9	84.7	72.6	66.2
Lebanon	144.8	166.4	167.8	164.7	174.6	185.9	187.3
Morocco	77.8	71.3	68.9	65.8	70.5	66.8	66.5
Pakistan[1]	81.4	80.2	74.3	66.4	60.8	55.4	52.3
Tunisia[1]	60.2	61.5	60.4	59.7	59.0	55.9	50.9
Memorandum items:							
CIS	**35.4**	**36.8**	**31.4**	**25.6**	**20.5**	**17.1**	**15.2**
MENA	**64.8**	**60.6**	**57.7**	**51.7**	**45.9**	**38.1**	**34.1**
Of which							
GCC	**66.7**	**63.7**	**54.4**	**43.9**	**28.6**	**13.6**	**8.3**
Maghreb	**71.0**	**58.9**	**52.8**	**45.4**	**42.3**	**36.1**	**33.2**

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

[1]General government.

Table 13. Export of Goods and Services

(In billions of U.S. dollars)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**292.7**	**342.5**	**425.3**	**570.3**	**759.8**	**979.5**	**1,102.2**
Oil exporters	**226.3**	**267.9**	**338.1**	**465.3**	**637.3**	**840.1**	**944.1**
Algeria	17.3	20.0	26.0	34.1	48.7	66.2	74.6
Azerbaijan	1.9	2.7	3.1	4.2	8.3	14.3	23.3
Bahrain	5.9	6.9	7.9	9.1	11.8	16.3	17.3
Iran	25.4	32.6	39.5	50.0	66.7	85.7	92.5
Iraq	...	...	...	17.8	23.2	30.2	37.9
Kazakhstan	9.3	11.6	14.9	22.6	30.6	40.1	44.0
Kuwait	16.3	17.0	24.9	33.3	48.6	64.3	69.1
Libya	9.8	10.1	15.0	21.0	30.2	40.7	47.4
Oman	9.7	11.7	12.3	14.2	19.6	24.9	26.9
Qatar	9.6	11.7	14.5	20.4	25.1	41.0	46.3
Saudi Arabia	66.6	77.7	99.1	132.0	188.1	237.2	270.4
Syria	6.4	8.5	7.7	8.4	9.5	9.8	10.2
Turkmenistan	2.2	3.1	3.7	4.2	5.3	7.6	9.0
United Arab Emirates	46.0	54.4	69.5	94.0	121.9	161.9	175.0
Low-income countries	**11.4**	**14.0**	**17.2**	**21.2**	**26.1**	**34.1**	**41.0**
Afghanistan	1.3	1.3	2.0	1.7	1.7	1.9	2.0
Armenia	0.5	0.7	0.9	1.0	1.3	1.4	1.6
Djibouti	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Georgia	0.9	1.0	1.3	2.0	2.6	3.1	3.5
Kyrgyz Republic	0.6	0.6	0.7	0.9	1.0	1.1	1.2
Mauritania	0.4	0.4	0.4	0.5	0.7	1.5	2.3
Sudan	1.4	2.0	2.6	3.8	5.0	9.0	13.6
Tajikistan	0.7	0.8	1.0	1.2	1.2	1.5	1.6
Uzbekistan	3.2	3.0	3.8	4.8	5.4	6.2	6.9
Yemen	3.1	3.9	4.2	5.0	6.9	8.3	8.1
Emerging markets	**55.1**	**60.6**	**70.0**	**83.8**	**96.3**	**105.3**	**117.2**
Egypt	15.1	15.8	18.0	22.9	28.0	32.9	36.5
Jordan	3.8	4.5	4.8	5.9	6.6	7.4	8.3
Lebanon	6.4	7.5	8.5	10.0	11.1	8.7	9.4
Morocco	10.9	12.2	14.2	16.6	18.8	21.3	23.7
Pakistan	10.0	11.1	13.7	15.1	17.8	19.8	23.1
Tunisia	8.9	9.4	10.8	13.2	14.1	15.2	16.1
Memorandum items:							
CIS	**17.1**	**20.4**	**25.7**	**36.8**	**50.4**	**67.6**	**82.0**
MENA	**263.2**	**306.6**	**380.2**	**494.7**	**661.4**	**852.5**	**948.1**
Of which							
GCC	**154.1**	**179.4**	**228.3**	**303.0**	**415.0**	**545.6**	**605.1**
Maghreb	**47.3**	**52.2**	**66.4**	**85.4**	**112.4**	**144.9**	**164.1**

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

Table 14. Import of Goods and Services

(In billions of U.S. dollars)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**265.5**	**301.1**	**349.7**	**464.4**	**561.1**	**679.8**	**769.6**
Oil exporters	**179.5**	**210.9**	**247.1**	**338.5**	**408.1**	**501.1**	**569.5**
Algeria	12.1	14.5	16.3	21.8	24.0	29.2	41.8
Azerbaijan	2.3	3.1	4.8	6.3	7.0	7.9	8.0
Bahrain	4.7	5.6	6.2	7.0	8.6	11.0	11.7
Iran	20.5	29.5	39.3	49.0	54.0	63.3	70.1
Iraq	...	...	...	24.0	26.6	37.2	37.6
Kazakhstan	9.1	11.6	13.3	18.8	25.4	31.6	34.9
Kuwait	12.6	14.0	16.5	19.8	22.1	24.0	25.8
Libya	6.2	8.9	8.8	10.7	12.8	15.0	16.7
Oman	6.8	7.5	8.3	10.6	12.1	14.3	15.7
Qatar	5.4	5.4	6.7	8.3	14.0	16.3	19.3
Saudi Arabia	51.5	53.7	59.2	70.7	88.3	112.7	137.4
Syria	5.6	6.9	6.8	8.7	10.1	10.3	10.8
Turkmenistan	2.3	2.4	3.4	4.1	3.9	5.7	7.0
United Arab Emirates	40.4	47.8	57.7	78.5	99.0	122.7	132.6
Low-income countries	**14.1**	**17.5**	**21.7**	**26.3**	**33.3**	**40.5**	**45.8**
Afghanistan	2.7	2.7	4.3	4.4	4.8	5.4	5.6
Armenia	1.0	1.1	1.4	1.5	2.0	2.2	2.4
Djibouti	0.3	0.3	0.3	0.3	0.4	0.4	0.6
Georgia	1.4	1.4	1.8	2.7	3.4	4.4	5.0
Kyrgyz Republic	0.7	0.8	0.9	1.1	1.4	1.7	1.8
Mauritania	0.6	0.6	0.7	1.2	1.8	1.7	2.0
Sudan	2.3	2.9	3.4	4.7	7.7	10.0	12.5
Tajikistan	0.8	0.9	1.1	1.5	1.7	2.0	2.2
Uzbekistan	3.1	2.8	3.1	3.9	4.2	4.9	5.4
Yemen	3.4	4.0	4.6	5.0	5.8	7.9	8.4
Emerging markets	**71.9**	**72.7**	**81.0**	**99.6**	**119.8**	**138.2**	**154.3**
Egypt	21.4	19.5	19.6	23.3	30.2	37.0	41.3
Jordan	5.5	6.4	7.0	9.4	11.9	13.7	14.7
Lebanon	11.0	11.6	12.7	15.4	15.1	12.9	14.7
Morocco	12.3	13.3	16.0	19.8	22.6	26.3	29.7
Pakistan	12.1	11.6	14.0	17.7	25.6	32.5	37.1
Tunisia	9.6	10.3	11.7	13.9	14.4	15.8	16.7
Memorandum items:							
CIS	**18.5**	**21.7**	**26.4**	**35.9**	**45.1**	**54.7**	**59.7**
MENA	**232.1**	**262.7**	**301.6**	**378.3**	**455.0**	**544.4**	**622.7**
Of which							
GCC	**121.4**	**134.1**	**154.5**	**195.1**	**244.1**	**301.0**	**342.6**
Maghreb	**40.8**	**47.6**	**53.5**	**67.4**	**75.6**	**88.0**	**107.0**

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

Table 15. Current Account Balance

(In billions of U.S. dollars)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**24.1**	**32.5**	**68.6**	**97.8**	**201.2**	**310.8**	**338.0**
Oil exporters	**30.7**	**32.1**	**64.6**	**97.2**	**206.5**	**322.0**	**353.1**
Algeria	3.9	4.4	8.8	11.1	21.7	30.8	26.2
Azerbaijan	-0.6	-0.8	-2.0	-2.6	0.2	5.5	14.8
Bahrain	0.0	0.0	0.2	0.4	1.6	3.3	3.4
Iran	5.3	3.6	0.8	1.4	14.0	24.5	25.9
Iraq	...	...	...	-8.8	1.8	-0.9	-0.9
Kazakhstan	-0.6	-1.0	-0.3	0.5	-0.5	1.7	1.8
Kuwait	6.9	4.3	9.4	17.3	32.3	48.8	52.0
Libya	3.0	0.6	5.0	7.3	15.6	23.5	28.8
Oman	0.5	1.3	0.9	0.4	4.4	7.5	8.3
Qatar	2.0	3.8	5.8	7.6	7.1	22.0	24.6
Saudi Arabia	4.6	11.9	28.1	52.0	90.8	120.2	128.9
Syria	0.8	1.6	1.1	0.0	-0.6	-0.5	-0.6
Turkmenistan	0.1	-0.6	-0.3	-0.1	-0.9	-1.5	-1.9
United Arab Emirates	4.7	3.0	7.1	10.6	19.1	37.2	41.7
Low-income countries	**-2.1**	**-1.4**	**-1.1**	**-1.1**	**-2.3**	**-2.2**	**-2.4**
Afghanistan	-0.1	-0.1	0.1	0.1	-0.1	-0.1	-0.5
Armenia	-0.3	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3
Djibouti	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Georgia	-0.3	-0.2	-0.3	-0.4	-0.3	-0.7	-1.0
Kyrgyz Republic	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2
Mauritania	0.0	0.0	-0.2	-0.5	-0.9	-0.2	0.1
Sudan	-1.8	-1.5	-1.4	-1.4	-2.9	-2.2	-1.3
Tajikistan	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Uzbekistan	0.0	0.1	0.9	1.2	1.8	1.9	2.2
Yemen	0.5	0.5	0.0	0.3	0.7	-0.2	-1.1
Emerging markets	**-4.6**	**1.9**	**5.0**	**1.7**	**-3.0**	**-9.0**	**-12.7**
Egypt	-1.0	0.6	1.9	3.4	2.9	2.1	1.4
Jordan	0.2	0.5	1.2	0.0	-2.3	-3.0	-3.1
Lebanon	-3.4	-2.9	-3.0	-4.0	-2.6	-2.9	-3.8
Morocco	0.5	1.5	1.6	1.0	0.9	0.3	-0.1
Pakistan	-0.1	2.8	4.1	1.8	-1.5	-5.0	-6.6
Tunisia	-0.7	-0.7	-0.7	-0.6	-0.4	-0.5	-0.5
Memorandum items:							
CIS	**-1.9**	**-2.1**	**-2.0**	**-1.7**	**0.6**	**7.8**	**17.1**
MENA	**26.1**	**32.6**	**66.7**	**106.5**	**201.3**	**310.6**	**330.8**
Of which							
GCC	**18.8**	**24.3**	**51.5**	**88.4**	**155.2**	**239.0**	**258.9**
Maghreb	**6.6**	**5.7**	**14.5**	**18.3**	**36.9**	**53.9**	**54.5**

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

Table 16. Current Account Balance

(In percent of GDP)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**2.6**	**3.7**	**6.8**	**8.3**	**14.2**	**18.0**	**17.3**
Oil exporters	**5.2**	**5.4**	**9.4**	**11.7**	**20.2**	**25.3**	**24.4**
Algeria	7.1	7.6	13.0	13.1	21.3	24.8	19.1
Azerbaijan	-12.3	-12.3	-27.8	-29.8	1.3	26.0	44.8
Bahrain	0.1	-0.4	2.3	4.0	11.7	20.6	18.9
Iran	5.1	3.1	0.6	0.9	7.3	10.0	8.9
Iraq	...	...	...	-34.4	5.2	-1.9	-1.4
Kazakhstan	-2.5	-4.2	-0.9	1.1	-0.9	2.3	2.1
Kuwait	19.9	11.2	20.4	31.1	43.3	52.5	51.9
Libya	9.5	2.9	21.5	24.2	40.2	47.9	51.4
Oman	1.2	6.6	4.0	1.7	14.2	19.4	19.6
Qatar	9.2	19.4	24.3	26.5	20.6	49.1	48.4
Saudi Arabia	2.1	6.3	13.1	20.7	29.3	33.1	31.9
Syria	4.0	7.2	4.7	0.0	-2.2	-1.8	-1.8
Turkmenistan	-6.2	6.7	2.7	0.6	5.1	7.6	8.0
United Arab Emirates	6.9	4.1	8.1	10.2	14.7	21.0	21.3
Low-income countries	**-4.8**	**-2.8**	**-1.9**	**-1.6**	**-2.8**	**-2.2**	**-2.0**
Afghanistan	-3.7	-3.7	3.0	1.4	-1.0	-1.5	-4.5
Armenia	-13.8	-6.2	-6.8	-4.6	-4.0	-4.4	-4.7
Djibouti	0.9	4.5	5.3	-1.2	-4.1	-4.1	-17.0
Georgia	-8.6	-5.9	-7.3	-8.4	-5.4	-9.9	-11.5
Kyrgyz Republic	-9.6	-5.0	-4.1	-3.4	-8.1	-7.9	-7.8
Mauritania	-4.3	3.0	-13.6	-34.6	-49.9	-6.9	1.8
Sudan	-14.3	-9.8	-7.8	-6.3	-10.6	-5.9	-2.8
Tajikistan	-4.5	-3.5	-1.3	-4.0	-3.4	-4.2	-4.8
Uzbekistan	0.1	1.2	8.7	9.9	13.0	12.0	11.8
Yemen	4.8	5.4	-0.1	1.9	4.7	-1.4	-5.6
Emerging markets	**-1.9**	**0.8**	**1.9**	**0.6**	**-0.9**	**-2.5**	**-3.3**
Egypt	-1.1	0.7	2.4	4.3	3.3	2.0	1.2
Jordan	2.3	5.6	11.6	-0.2	-18.2	-20.7	-19.7
Lebanon	-20.0	-15.5	-15.2	-18.2	-11.9	-13.0	-15.9
Morocco	1.3	4.1	3.6	1.9	1.8	0.5	-0.1
Pakistan	-0.1	3.9	4.9	1.8	-1.4	-3.9	-4.6
Tunisia	-3.5	-3.5	-2.9	-2.0	-1.3	-1.6	-1.4
Memorandum items:							
CIS	**-4.0**	**-4.4**	**-3.4**	**-2.2**	**0.6**	**6.1**	**11.0**
MENA	**3.3**	**4.3**	**7.7**	**10.6**	**16.7**	**21.2**	**20.1**
Of which							
GCC	**5.2**	**6.9**	**12.7**	**18.6**	**26.2**	**32.6**	**31.9**
Maghreb	**4.7**	**4.2**	**9.0**	**9.4**	**16.6**	**20.5**	**18.7**

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

Table 17. Terms of Trade

(Annual change; in percent)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**6.9**	**4.7**	**-0.7**	**8.3**	**19.5**	**14.4**	**4.4**
Oil exporters	**11.1**	**8.2**	**-0.9**	**13.0**	**27.0**	**20.3**	**5.9**
Algeria	11.6	-8.6	9.5	13.8	30.0	20.7	9.2
Azerbaijan	18.3	-4.4	13.2	13.9	17.0	23.1	11.9
Bahrain	...	...	...	...	...	...	...
Iran	6.0	10.2	-4.7	13.3	27.8	25.0	6.2
Iraq	...	...	...	...	...	...	...
Kazakhstan	5.5	-0.1	2.0	12.1	17.8	14.4	2.1
Kuwait	13.8	-0.1	2.6	16.6	33.4	29.4	9.5
Libya	...	...	...	...	...	...	...
Oman	...	...	...	...	...	...	...
Qatar	...	...	...	...	...	...	...
Saudi Arabia	14.1	16.3	-3.9	12.9	28.7	18.4	4.7
Syria	3.2	0.6	0.6	0.0	0.0	0.0	0.0
Turkmenistan	...	...	...	...	...	...	...
United Arab Emirates	...	...	...	...	...	...	...
Low-income countries	**3.7**	**0.5**	**3.4**	**9.5**	**13.7**	**15.9**	**2.8**
Afghanistan	...	...	...	...	...	...	...
Armenia	-1.7	-1.5	0.9	-0.1	-2.6	-0.9	-0.6
Djibouti	-1.5	1.2	6.2	2.1	-2.5	-3.5	-0.6
Georgia	-0.2	-0.7	-4.8	-4.3	-7.7	-11.0	-3.9
Kyrgyz Republic	3.3	-0.6	2.7	0.5	-0.5	2.8	-0.4
Mauritania	-0.7	-0.3	-5.2	4.3	20.4	64.3	10.3
Sudan	5.2	-2.3	8.9	20.2	25.2	18.1	1.0
Tajikistan	-6.4	-13.9	1.3	3.5	-14.6	5.6	-3.7
Uzbekistan	2.8	3.5	6.3	-1.2	0.8	14.4	4.0
Yemen	12.8	3.9	2.3	22.3	39.8	28.3	8.4
Emerging markets	**0.1**	**-1.8**	**-1.1**	**-3.3**	**1.2**	**-3.1**	**-0.1**
Egypt	1.9	-0.9	2.2	2.7	6.8	1.7	1.3
Jordan	-2.8	-1.5	-9.4	-3.4	-6.7	-6.1	-1.9
Lebanon	1.7	0.6	-11.2	-8.3	-5.3	-4.4	-1.7
Morocco	-0.3	-7.3	5.7	-12.9	7.4	-4.8	-1.0
Pakistan	-0.9	-0.5	-0.9	0.7	-2.2	-4.3	-0.2
Tunisia	-1.1	-0.7	-1.5	-0.5	-1.9	-5.6	0.7
Memorandum items:							
CIS	**5.0**	**-0.7**	**3.7**	**8.4**	**11.6**	**13.1**	**3.4**
MENA	**7.8**	**5.5**	**-1.1**	**8.8**	**21.6**	**15.7**	**4.8**
Of which							
GCC	**14.0**	**13.1**	**-2.7**	**13.7**	**29.7**	**20.6**	**5.7**
Maghreb	**3.4**	**-6.1**	**5.4**	**2.0**	**15.9**	**9.0**	**5.0**

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

Table 18. Nominal Effective Exchange Rates

(Annual average percent change; increase indicates appreciation)

	Average 1998–2002	2002	2003	2004	2005
Middle East and Central Asia	**-0.6**	**-5.4**	**-9.7**	**-5.4**	**-1.9**
Oil exporters	**0.4**	**-4.1**	**-8.3**	**-5.4**	**-3.2**
Algeria	-0.7	-5.6	-8.9	-0.1	-2.8
Azerbaijan	11.3	-0.9	-5.6	-4.3	3.4
Bahrain	2.1	-1.9	-7.9	-5.1	-0.8
Iran	-2.8	3.6	-11.9	-11.4	-13.2
Iraq	4.9	-2.0	-8.9	-5.4	-0.4
Kazakhstan	-1.2	-3.3	-3.8	4.3	1.3
Kuwait	3.6	-0.5	-5.9	-3.9	0.4
Libya	-10.6	-54.4	-13.2	-8.7	-1.4
Oman	1.9	-1.1	-6.3	-4.4	-0.3
Qatar	2.3	-1.8	-7.9	-5.3	-0.9
Saudi Arabia	2.8	-1.6	-7.3	-4.9	-0.7
Syria	5.4	-2.8	-8.7	-6.5	-5.2
Turkmenistan	20.8	6.3	-3.4	-3.5	-1.5
United Arab Emirates	3.7	-1.8	-6.9	-4.2	-0.2
Low-income countries	**-11.2**	**-16.2**	**-11.3**	**-3.8**	**-0.1**
Afghanistan	...	...	...	...	...
Armenia	10.4	-2.1	-6.9	3.5	16.0
Djibouti	3.7	-1.5	-7.3	-4.1	-0.6
Georgia	8.6	-0.8	-2.8	6.5	2.3
Kyrgyz Republic	-4.5	7.7	3.0	-1.7	2.5
Mauritania	-7.4	-8.9	-8.4	-7.0	0.1
Sudan	-5.7	-1.9	-4.5	-3.0	4.4
Tajikistan	-17.4	-10.0	-13.9	-1.2	-6.3
Uzbekistan	-29.5	-47.3	-26.4	-9.5	-7.9
Yemen	-0.6	-4.3	-10.1	-4.6	-4.3
Emerging markets	**-0.9**	**-6.4**	**-12.8**	**-5.7**	**1.4**
Egypt	-0.8	-13.8	-30.2	-11.6	6.2
Jordan	4.3	-0.2	-6.2	-4.3	-1.1
Lebanon	4.8	-2.1	-9.6	-5.9	-0.9
Morocco	0.1	-1.3	0.0	-0.3	-0.5
Pakistan	-2.6	-2.6	-0.1	-1.8	0.3
Tunisia	-0.9	-0.7	-5.4	-4.7	-4.4
Memorandum items:					
CIS	**-8.4**	**-15.4**	**-9.5**	**0.3**	**0.5**
MENA	**0.2**	**-5.0**	**-10.7**	**-6.1**	**-2.3**
Of which					
GCC	**3.0**	**-1.5**	**-7.1**	**-4.7**	**-0.5**
Maghreb	**-2.8**	**-14.9**	**-6.9**	**-2.3**	**-2.2**

Sources: IMF Information Notice System; and IMF staff estimates.

Table 19. Real Effective Exchange Rates

(CPI based; annual average percent change; increase indicates appreciation)

	Average 1998–2002	2002	2003	2004	2005
Middle East and Central Asia	**-0.4**	**-4.8**	**-8.6**	**-3.7**	**-0.6**
Oil exporters	**0.6**	**-3.7**	**-6.8**	**-4.0**	**-1.2**
Algeria	-2.4	-7.6	-9.5	0.6	-3.9
Azerbaijan	-3.9	-7.1	-10.8	-3.5	7.5
Bahrain	0.4	-1.0	-7.5	-4.8	-0.6
Iran	7.4	11.7	0.0	-1.5	-1.8
Iraq	...	...	...	...	...
Kazakhstan	-3.4	-3.8	-3.6	5.8	3.1
Kuwait	1.7	-1.0	-7.2	-5.1	2.1
Libya	-15.4	-60.2	-17.3	-13.1	-2.7
Oman	-0.4	-3.4	-8.7	-6.3	-1.3
Qatar	1.5	-2.4	-6.2	-0.6	7.0
Saudi Arabia	0.1	-2.8	-8.5	-6.7	-2.5
Syria	-0.2	-6.8	-6.6	-5.6	-1.7
Turkmenistan	17.1	4.0	-5.9	-3.3	2.7
United Arab Emirates	3.3	-1.3	-6.9	-4.5	-0.5
Low-income countries	**-3.0**	**-8.1**	**-7.0**	**0.6**	**6.4**
Afghanistan	...	...	...	...	...
Armenia	0.8	-8.3	-9.0	4.2	9.6
Djibouti	3.1	-2.5	-9.3	-3.6	-1.8
Georgia	-1.7	-6.4	-6.5	5.6	3.2
Kyrgyz Republic	-3.9	1.8	-0.7	-3.2	1.2
Mauritania	-5.3	-7.3	-5.8	0.2	9.6
Sudan	0.5	1.3	0.0	1.7	10.3
Tajikistan	-2.1	-6.0	-5.6	0.2	-5.7
Uzbekistan	-11.7	-27.0	-19.8	-6.4	5.9
Yemen	6.0	3.9	-3.4	4.3	4.0
Emerging markets	**-2.1**	**-6.7**	**-13.0**	**-3.9**	**-0.4**
Egypt	-1.4	-13.9	-29.1	-4.1	8.4
Jordan	2.6	-1.0	-7.2	-3.8	-0.2
Lebanon	3.0	-2.8	-10.7	-7.5	-5.3
Morocco	0.1	-0.3	-1.0	-1.2	-1.7
Pakistan	-5.2	-3.6	-1.4	-4.2	-6.0
Tunisia	-0.6	-0.2	-5.0	-3.4	-4.5
Memorandum items:					
CIS	**-5.8**	**-11.2**	**-8.7**	**1.7**	**4.2**
MENA	**0.6**	**-4.5**	**-9.2**	**-4.0**	**-0.4**
Of which					
GCC	**0.9**	**-2.3**	**-7.9**	**-5.7**	**-0.9**
Maghreb	**-4.4**	**-16.7**	**-8.1**	**-2.7**	**-3.1**

Sources: IMF Information Notice System; and IMF staff estimates.

Table 20. Gross Official Reserves

(In billions of U.S. dollars)

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**161.9**	**199.5**	**256.9**	**333.8**	**453.7**	**566.6**	**723.6**
Oil exporters	**121.7**	**153.0**	**191.4**	**262.0**	**375.4**	**476.9**	**629.0**
Algeria	12.9	23.1	32.9	43.1	56.2	80.1	105.7
Azerbaijan	0.6	0.7	0.8	1.1	1.2	2.6	3.3
Bahrain	1.2	1.4	1.4	1.6	1.9	1.9	2.0
Iran	12.2	20.6	24.3	33.0	46.6	71.1	96.5
Iraq	...	...	...	7.9	12.0	13.8	15.7
Kazakhstan	2.3	3.1	5.0	9.3	7.1	13.3	14.9
Kuwait	7.1	9.3	7.7	8.4	9.5	11.8	13.3
Libya	11.1	15.0	19.5	25.6	39.3	60.4	86.6
Oman	2.6	3.2	3.6	3.6	4.4	7.1	10.4
Qatar	1.3	1.5	2.9	3.4	4.6	5.5	6.9
Saudi Arabia[1]	45.2	42.0	59.8	87.9	153.2	165.5	224.8
Syria	12.5	17.7	18.5	18.6	18.5	19.0	19.9
Turkmenistan	...	...	...	...	...	...	...
United Arab Emirates	12.7	15.3	15.1	18.6	21.1	24.8	29.0
Low-income countries	**4.9**	**7.1**	**8.8**	**11.7**	**13.9**	**18.2**	**19.7**
Afghanistan	0.4	0.4	0.8	1.3	1.7	1.8	1.9
Armenia	0.4	0.4	0.5	0.6	0.8	0.8	0.8
Djibouti	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Georgia	0.1	0.2	0.2	0.4	0.5	1.0	1.1
Kyrgyz Republic	0.3	0.3	0.4	0.6	0.6	0.7	0.8
Mauritania	0.1	0.1	0.0	0.0	0.1	0.2	0.3
Sudan	0.1	0.2	0.5	1.3	1.9	3.3	3.7
Tajikistan	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Uzbekistan	1.2	1.2	1.7	2.1	2.9	3.9	4.7
Yemen	2.5	4.1	4.4	5.1	5.3	6.2	6.1
Emerging markets	**35.3**	**39.4**	**56.7**	**60.0**	**64.4**	**71.5**	**75.0**
Egypt	16.4	14.1	14.8	14.8	19.3	22.9	26.1
Jordan	2.4	3.5	4.7	4.8	4.7	5.1	4.6
Lebanon	5.9	5.1	10.2	9.5	9.9	8.0	7.6
Morocco	6.6	10.0	13.7	16.3	16.1	18.3	19.4
Pakistan	1.9	4.3	10.3	10.6	10.0	10.8	11.1
Tunisia	2.1	2.3	3.0	4.0	4.4	6.4	6.1
Memorandum items:							
CIS	**5.0**	**6.1**	**8.6**	**14.2**	**13.2**	**22.5**	**25.8**
MENA	**154.8**	**188.7**	**237.2**	**299.7**	**416.8**	**517.7**	**669.1**
Of which							
GCC	**70.1**	**72.7**	**90.5**	**123.4**	**194.6**	**216.5**	**286.3**
Maghreb	**32.7**	**50.6**	**69.2**	**89.1**	**116.1**	**165.3**	**218.1**

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

[1]Saudi Arabia Monetary Agency net foreign assets.

Table 21. Total Gross External Debt

(In percent of GDP)[1]

	Average 1998–2002	2002	2003	2004	2005	Est. 2006	Proj. 2007
Middle East and Central Asia	**36.6**	**34.5**	**32.8**	**31.0**	**27.7**	**24.2**	**22.5**
Oil exporters	**26.3**	**22.7**	**21.0**	**20.8**	**19.5**	**17.1**	**16.1**
Algeria	49.6	39.7	34.3	25.7	16.8	7.7	6.6
Azerbaijan	18.6	20.1	19.7	18.5	14.3	10.1	7.5
Bahrain	54.0	41.6	51.4	63.1	53.2	47.2	44.0
Iran	9.4	7.9	9.0	10.4	8.8	6.4	4.6
Iraq	...	...	...	345.5	182.8	102.2	82.9
Kazakhstan	65.8	74.2	74.3	74.0	74.0	69.8	63.0
Kuwait	32.5	32.4	26.8	22.9	16.9	14.0	13.3
Libya	20.6	29.0	23.8	18.5	14.4	11.4	9.9
Oman	35.8	23.8	18.7	17.7	11.8	9.3	8.4
Qatar	100.8	75.5	57.9	55.0	49.9	40.3	37.2
Saudi Arabia	16.1	11.8	11.1	11.0	10.5	10.2	10.3
Syria	20.6	17.1	18.2	19.9	25.0	22.6	22.8
Turkmenistan	41.3	19.1	13.3	9.0	6.1	3.9	2.4
United Arab Emirates	29.6	22.4	18.7	21.6	28.1	27.7	28.7
Low-income countries	**86.8**	**84.0**	**78.7**	**66.5**	**56.9**	**47.4**	**43.1**
Afghanistan	13.2	13.2	14.0	12.3	11.6	18.0	17.2
Armenia	43.8	43.2	39.1	33.3	22.5	21.5	21.0
Djibouti	52.7	56.5	64.4	67.6	61.9	59.0	65.2
Georgia	52.3	53.3	46.2	39.4	31.1	30.5	30.6
Kyrgyz Republic	117.3	108.6	98.3	95.0	87.1	82.4	78.0
Mauritania	176.8	163.1	154.9	145.3	124.2	51.2	42.5
Sudan	176.1	156.2	146.2	121.1	100.6	76.7	67.2
Tajikistan	101.7	83.4	66.3	41.8	39.5	34.5	34.8
Uzbekistan	32.3	44.1	43.7	37.3	31.3	25.9	21.3
Yemen	62.0	50.5	44.7	39.3	34.0	30.3	28.0
Emerging markets	**50.4**	**53.4**	**53.8**	**51.9**	**46.5**	**43.1**	**40.1**
Egypt	30.6	32.8	36.1	37.9	32.4	30.3	26.4
Jordan[2]	84.0	78.7	74.5	66.2	56.1	48.8	43.0
Lebanon	135.1	151.0	173.8	186.6	193.0	192.6	186.7
Morocco	51.6	43.5	38.4	33.2	27.8	26.4	24.7
Pakistan	47.7	49.6	42.5	35.7	31.6	29.0	28.3
Tunisia	61.6	72.0	71.7	70.4	64.6	65.0	58.6
Memorandum items:							
CIS	**51.2**	**59.8**	**59.2**	**57.6**	**54.6**	**49.3**	**42.8**
MENA	**34.6**	**31.6**	**30.1**	**28.6**	**25.2**	**21.6**	**20.1**
Of which							
GCC	**26.7**	**21.3**	**18.7**	**18.9**	**18.5**	**17.5**	**17.5**
Maghreb	**46.7**	**45.3**	**40.6**	**33.9**	**26.0**	**19.4**	**17.4**

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]Excludes deposits of nonresidents held in the banking system, equivalent to about 7 percent of GDP as of end-2005.