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The views expressed in this publication are those of the contributors, and not necessarily of the IMF. The coordinating team from the Middle East and Central Asia Department comprised Ratna Sahay, Ralph Chami, Axel Schimmelpfennig, Adolfo Barajas, Tobias Rasmussen, Yasser Abdih, Christine Ebrahimzadeh, Liliya Repa, Mandana Dehghanian, Muriel Vimond, and Sonia Lowman. Country desk economists, research assistants, and mission chiefs also provided important contributions.

Contents

Tables

Statistical Appendix Tables

Preface

The Middle East and Central Asia *Regional Economic Outlook* (REO) is prepared biannually by the IMF's Middle East and Central Asia Department (MCD). The analysis and projections contained in the MCD REO are integral elements of the Department's surveillance of economic developments and policies in its 30 member countries. It draws primarily on information gathered by MCD staff through their consultations with member countries.

The analysis in this report was coordinated under the general supervision of Masood Ahmed (Director of MCD). The project was directed by Ratna Sahay (Deputy Director in MCD) and Ralph Chami (Chief of MCD's Regional Studies Division).

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Assumptions and Conventions

A number of assumptions have been adopted for the projections presented in the *Regional Economic Outlook: Middle East and Central Asia*. It has been assumed that established policies of national authorities will be maintained; that the price of oil will average US$61.5 a barrel in 2009 and US$76.5 in 2010; and that the six-month London interbank offered rate (LIBOR) on U.S.-dollar deposits will average 1.2 percent in 2009 and 1.4 percent in 2010. These are, of course, working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would in any event be involved in the projections.
The 2008 data in the figures and tables are estimates. These estimates for 2008 and projections for 2009 and 2010 are based on statistical information available through September 21, 2009.

The following conventions are used in this publication:

- In tables, ellipsis points (. . .) indicate "not available," and 0 or 0.0 indicates "zero" or "negligible." Minor discrepancies between sums of constituent figures and totals are due to rounding.

- An en dash (–) between years or months (for example, 2007–08 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2007/08) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2008).

- "Billion" means a thousand million; "trillion" means a thousand billion.

- "Basis points (bps)" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

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

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

Inquiries about the content of the *Regional Economic Outlook: Middle East and Central Asia* should be sent by mail or e-mail (telephone inquiries cannot be accepted) to:

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Country and Regional Groupings

The October 2009 *Regional Economic Outlook: Middle East and Central Asia* (REO), covering countries in the Middle East and Central Asia Department (MCD) of the International Monetary Fund (IMF), provides a broad overview of recent economic developments in 2008 and prospects and policy issues for the remainder of 2009 and 2010. To facilitate the analysis, the 30 MCD countries covered in this report are divided into two groups: (1) countries of the Middle East, North Africa, Afghanistan, and Pakistan (MENAP)—which are further subdivided into oil exporters and oil importers; and (2) countries of the Caucasus and Central Asia (CCA). The country acronyms used in some figures are included in parentheses.

MENAP oil exporters comprise Algeria (DZA), Bahrain (BHR), Iran (IRN), Iraq (IRQ), Kuwait (KWT), Libya (LBY), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), Sudan (SDN), the United Arab Emirates (U.A.E.), and Yemen (YMN).

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

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

In addition, the following geographical groupings are used:

The CIS (Commonwealth of Independent States) comprises Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Georgia and Mongolia, which are not members of the CIS, are included in this group for reasons of geography and similarities in economic structure.

The GCC (Gulf Cooperation Council) comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

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

The Mashreq comprises Egypt, Jordan, Lebanon, and Syria.

Highlights

As elsewhere in the world, the global financial and economic crisis has taken a toll on the Middle East and Central Asia region. Given the region's diversity, the *Regional Economic Outlook* divides the countries of the Middle East and Central Asia into three subregions: (1) countries of the Middle East, North Africa, Afghanistan, and Pakistan (MENAP)—which are further subdivided into oil exporters and oil importers; and (2) countries of the Caucasus and Central Asia (CCA).

MENAP oil exporters have been directly hit by the global financial crisis through a sharp decline in oil prices and a sudden drying up of capital inflows, but the impact has been greatly mitigated by countercyclical government spending.

- Drawing on substantial reserves built up prior to the crisis, governments responded with strong countercyclical policies, which have helped contain the impact on the non-oil sectors of their economies: non-oil GDP has slowed, but still is projected to grow at 3.2 percent in 2009. The corollary is that MENAP oil exporters' current account surpluses are falling from US$380 billion in 2008 to about US$50 billion in 2009.

- With higher oil prices and the anticipated reemergence of global demand, oil revenues will increase, allowing oil exporters to rebuild their international reserve positions—by more than US$100 billion in 2010. This, in turn, provides the basis for maintaining spending. With the Gulf Cooperation Council's share of world imports expected to increase from 2.7 percent in 2008 to 3.2 percent in 2010, the region's contribution to global demand will remain high.

- The crisis has revealed some vulnerabilities in the region's financial sector: weak risk management systems and overleveraged institutions. Measures to strengthen financial regulation and supervision—already being instituted in some countries—will remain crucial for safeguarding the financial system against future shocks.

- In 2010, for the group as a whole, oil and non-oil growth are projected at 4.4 percent and 3.9 percent, respectively. To help realize these economies' potential, public spending on infrastructure and social development will remain a key feature of economic policy. Looking ahead, governments will need to begin designing strategies to unwind the exceptional liquidity support provided to mitigate the impact of the crisis.

- In the medium term, financial market development—including diversification beyond a bank-based system—will remain a priority, as will efforts to improve the business climate to support economic diversification and generate employment.

MENAP oil importers have been moderately hit by the worldwide recession, with growth projected to fall from 5.0 percent in 2008 to 3.6 percent in 2009. A low degree of integration with global capital markets, limited exposure of the banking system to structured products, and a small manufacturing base have helped these countries avoid a substantial fallout from the crisis. Fiscal and monetary stimulus, as well as spillovers from increased public spending in neighboring oil exporters, are also helping sustain demand. For much the same reason that these countries have experienced a comparatively muted slowdown, they can only look forward to a very modest rebound. Higher oil prices are also of concern, especially for the poorer countries of the group.

- The global slowdown's main transmission channel has been a reduction in receipts from abroad. Merchandise exports and foreign direct investment have been hardest hit, and are projected to decline by 16 percent and 32 percent, respectively, in 2009. Tourism receipts and remittances are also lower, but not by as much.

- Oil importers in the Maghreb (Mauritania, Morocco, and Tunisia) have been highly exposed to the slowdown in the European Union—their main partner for trade and remittances. In Morocco, however, an exceptional agricultural harvest has mitigated the impact of the global economic slowdown on overall output.

- For 2010, a slow recovery in partner country economies, combined with limited scope for further countercyclical policy action, imply that growth—projected at 3.8 percent—will remain relatively flat.

- High debt levels in most MENAP oil importers limit the space for fiscal stimulus, and the scope for monetary easing will be constrained by an anticipated increase in global interest rates from current historical lows. With narrowing room for continued stimulus, policymakers need to focus more on supply side reforms that will help boost private sector activity and employment and enhance competitiveness. In countries without fixed exchange rate regimes, greater flexibility in exchange rates will facilitate these goals.

The global crisis has severely impacted the CCA, with growth for the region projected to drop from 6.6 percent in 2008 to 1.5 percent in 2009. But this average masks important differences across countries. Most CCA energy exporters are projected to record solid growth in 2009, given limited linkages to international markets, long-term energy export contracts, and supportive policies. The energy importers, however, are facing a marked slowdown in growth and deteriorating living standards as a result of a sharp drop in remittances from Russia. A modest recovery for the CCA as a whole is expected in 2010.

- Three of the four energy exporters—Azerbaijan, Turkmenistan, and Uzbekistan—are projected to register robust growth in 2009, supported mainly by public spending made possible by ample public savings accumulated during previous boom years. Kazakhstan, however, is in the midst of a banking crisis and is likely to see negative growth of about 2 percent in 2009. With global energy demand increasing again, the energy exporters should continue to see solid growth rates in 2010.

- CCA energy importers are being hit to varying degrees. Armenia, which is more integrated into global markets, is likely to suffer a contraction of more than 15 percent in 2009, while Georgia, the Kyrgyz Republic, and Tajikistan are faring better. The recovery in 2010 is projected to be slow and gradual.

- Policymakers have responded to the downturn by easing fiscal and monetary policies and strengthening social safety nets. In the energy importers, where governments have little space to implement such measures, donors, including the neighboring states of Russia and China, and the IMF have provided support.

- In 2010, where possible, fiscal policy should continue to be supportive of growth and prioritize social protection. Additional donor support on concessional terms will be needed for the energy importers to prevent a buildup of unsustainable debt levels. The energy exporters should use part of their anticipated increase in revenue from rising energy prices to push ahead with structural reforms.

- Financial sectors across the region are under stress, most notably in Kazakhstan, where restoring financial health remains a priority. Countries should continue to preserve exchange rate flexibility or move toward flexible exchange rate regimes over time to protect or develop export-oriented sectors.

In sum, where feasible, countries should continue to support domestic demand to mitigate the impact of the crisis on their citizens while keeping debt sustainability in view. For the region's low-income countries, higher donor support will be necessary to maintain needed economic development and prevent poverty rates from rising further. Across the region, governments should further strengthen financial systems and take care not to lose momentum on structural reforms aimed at diversifying their economies, creating employment opportunities, and allowing them to take advantage of the global economic recovery.

World Economic Outlook[1]

After a deep global recession, world economic growth in 2010 is expected to turn positive, as wide-ranging public intervention has supported demand and lowered uncertainty and systemic risk in financial markets. The recovery is expected to be slow, as financial systems remain impaired, support from public policies will gradually have to be withdrawn, and households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment. Global activity is forecast to contract by about 1 percent in 2009 and, in 2010, to expand by about 3 percent, which is well below the rate achieved before the crisis (see table).

Overview of the *World Economic Outlook* Projections
(Percent change, unless otherwise noted)

	Year over Year			
			Projections	
	2007	2008	2009	2010
World output	**5.2**	**3.0**	**-1.1**	**3.1**
Advanced economies	2.7	0.6	-3.4	1.3
Of which: United States	2.1	0.4	-2.7	1.5
European Union	3.1	1.0	-4.2	0.5
Emerging and developing economies	8.3	6.0	1.7	5.1
Of which: MENAP	6.0	4.8	2.2	4.0
CCA	12.0	6.6	1.7	5.1
Commonwealth of Independent States	8.6	5.5	-6.7	2.1
Of which: Russia	8.1	5.6	-7.5	1.5
World trade volume (goods and services)	**7.3**	**3.0**	**-11.9**	**2.5**
Commodity prices (U.S. dollars)				
Oil[1]	10.7	36.4	-36.6	24.3
Nonfuel (average based on world commodity export weights)	14.1	7.5	-20.3	2.4

Source: IMF, *World Economic Outlook* (October 2009).

[1] Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was $97.03 in 2008; the assumed price based on future markets is $61.53 in 2009 and $76.50 in 2010.

Advanced economies are projected to expand sluggishly through much of 2010, with unemployment continuing to rise until later in the year. Annual growth in 2010 is projected to be about 1¼ percent, following a contraction of 3½ percent in 2009. In emerging economies, real GDP growth is forecast to reach almost 5 percent in 2010, up from 1¾ percent in 2009. The rebound is driven by China, India, and a number of other emerging Asian economies. Other emerging economies are staging modest recoveries, supported by policy stimulus and improving global trade and financial conditions.

Downside risks to growth are receding gradually, but remain a concern. The main short-run risk is that the recovery stalls. Premature exit from accommodative monetary and fiscal policies seems a significant risk because the policy-induced rebound might be mistaken for the beginning of a strong recovery in private demand. In general, the fragile global economy still seems vulnerable to a range of shocks, including rising oil prices, a virulent return of swine flu, geopolitical events, or resurgent protectionism.

Short-run risks are not only on the downside, as evidenced by the recent, more rapid-than-expected improvement in financial conditions. In particular, the policy-induced reduction in fears about a 1930s-style crash in activity and the accompanying strong rebound in financial market sentiment might induce a larger-than-expected surge in consumption and investment across a number of advanced and emerging economies.

The key policy priorities remain to restore the health of the financial sector and to maintain supportive macroeconomic policies until the recovery is on a firm footing, even though policymakers must also begin preparing for an eventual unwinding of extraordinary levels of public intervention. The challenge is to map a middle course between unwinding public interventions too early, which would jeopardize progress made in securing financial stability and recovery, and leaving these measures in place too long, which carries the risk of distorting incentives and damaging public balance sheets.

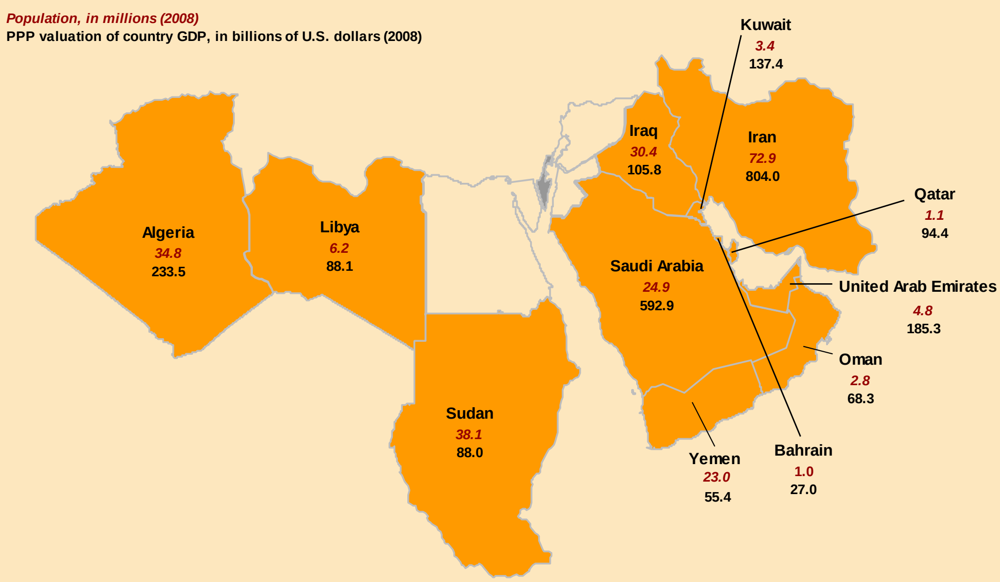
[1] See IMF, *World Economic Outlook* (October 2009) for more information.

1. MENAP Oil Exporters: Weathering the Global Storm

The MENAP oil exporters were directly affected by the global financial crisis through a sharp drop in oil prices, a contraction in the global economy, and a sudden drying up of capital inflows. Although activity in the oil sector will likely drop by 3.5 percent in 2009, strong countercyclical macroeconomic policies have helped mitigate the impact of the crisis on the non-oil sector, which is projected to grow by 3.2 percent. Looking ahead, higher oil prices, a revival of global demand, and continued government spending will provide the basis for stronger growth in 2010. The crisis also revealed some vulnerabilities in the banking and corporate sectors, requiring countries to undertake exceptional stabilization measures and highlighting the need to strengthen financial sector supervision, enhance corporate governance, foster resource mobilization, and diversify risks.

MENAP Oil-Exporting Countries

The oil exporters comprise 12 countries: the six countries of the Gulf Cooperation Council (GCC—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) and Algeria, Iran, Iraq, Libya, Sudan, and Yemen. Together, they account for 65 percent of global oil reserves and 45 percent of natural gas reserves. The countries are mainly exporters of oil, gas, and refined products, with oil and gas contributing about 50 percent to GDP and 80 percent to government revenue. They are diverse and differ substantially in terms of per capita GDP, which in 2009 is estimated to range from US$1,108 in Yemen to more than US$76,000 in Qatar. The GCC subgroup is relatively homogeneous, however, with similar economic and political institutions and relatively less diverse per capita incomes.



Sources: IMF, *Regional Economic Outlook* database; and Microsoft MapLand.

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

Domestic Policy Actions Mitigate Spillovers from Global Crisis

The impact of the crisis in MENAP oil exporters is most visible in the oil sector, where output is projected to contract by 3.5 percent in 2009 (Figure 1.1)—sharper than the drop in the global economy. With the large decline in oil prices—from a peak of US$147 per barrel in the summer of 2008 to about US$30 per barrel at the beginning of 2009—and subsequent cuts in oil production, the Gulf Cooperation Council (GCC) countries have been hardest hit (Table 1.1). Particularly pronounced drops in oil GDP growth are expected for Iraq (almost 8 percentage points) and Saudi Arabia (15 percentage points) this year.

Buttressed by strong international reserve and fiscal positions prior to the crisis, most countries have responded by pursuing expansionary fiscal policies, notably in Saudi Arabia and the United Arab Emirates (Figure 1.2). As a result, non-oil GDP for the MENAP oil exporters is projected to grow by 3.2 percent in 2009, with GDP growth, in the aggregate, decelerating to 1.4 percent. These policies are helping to maintain relatively high levels of imports during the crisis—at just over US$700 billion in 2009—which, in turn, will help mitigate the global downturn.

The decline in oil prices, combined with an expansionary fiscal stance, is leading to a substantial drop in current account surpluses for the MENAP oil exporters, from more than US$380 billion in 2008 to just over US$50 billion projected for 2009 (Figure 1.3). Combined with the sharp outflows of capital and given the authorities' commitment to maintaining fixed exchange rate regimes, this also led to a significant drawdown of the large stocks of international

Table 1.1

Basic Economic Indicators

(Percent change, unless otherwise indicated)

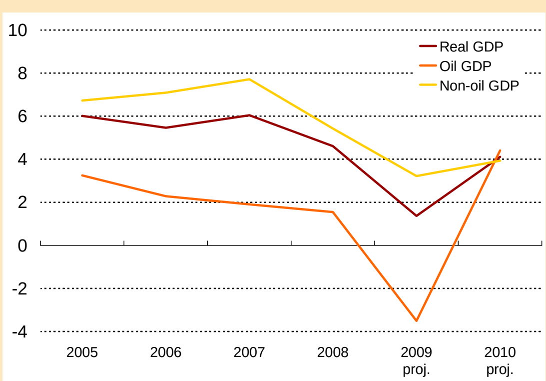
	GCC			MENAP Oil Exporters		
	2008	Proj. 2009	Proj. 2010	2008	Proj. 2009	Proj. 2010
Real GDP growth	6.4	0.7	5.2	4.6	1.4	4.1
Oil	5.8	-5.2	5.5	1.5	-3.5	4.4
Non-oil	6.6	3.2	4.4	5.4	3.2	3.9
Inflation	10.8	3.7	3.8	15.4	5.3	6.2
Imports						
In billions of U.S. dollars	513.8	478.2	516.3	745.1	700.1	751.9
Imports						
In percent of total world imports	2.7	3.2	3.2	3.9	4.7	4.7
Fiscal balance, in percent of GDP	27.4	5.3	10.4	14.2	2.0	5.2
Government expenditure and net lending, in billions of U.S. dollars	305.6	316.6	332.9	581.7	577.2	610.8

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

Figure 1.1

Global Crisis Strikes the Oil Sector

(Real GDP growth; percent)

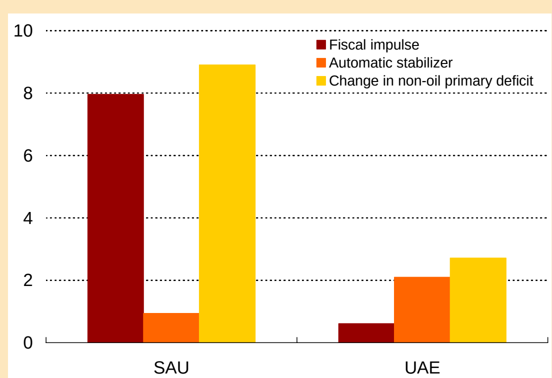


Sources: National authorities; and IMF staff estimates and projections.

Figure 1.2

Large Stimulus in Two Countries

(Change in the non-oil primary fiscal deficit, 2009; percent of non-oil GDP)



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

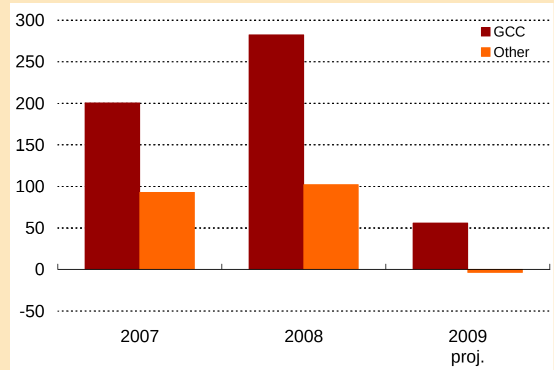
reserves built during the oil boom years[1] (Figure 1.4). From a peak of US$807 billion in September 2008, total reserves of MENAP oil exporters fell by nearly US$40 billion in six months.[2] These numbers exclude movements in sovereign wealth funds, for which only limited function is available. Sudan and Algeria—the two countries that allowed some degree of exchange rate flexibility—experienced downward pressures on their currencies as well.

The sudden drying-up of foreign funds and the decline in domestic asset prices also put severe strains on the balance sheets of banks that had both borrowed externally and were heavily exposed to real estate and equity markets. This led to a striking slowdown of credit expansion in most countries (Figure 1.5); the deceleration ranged from more than 40 percentage points in Qatar to about 5 percentage points in Algeria.

Figure 1.3

Current Account Balance Shrinks

(Billions of U.S. dollars)

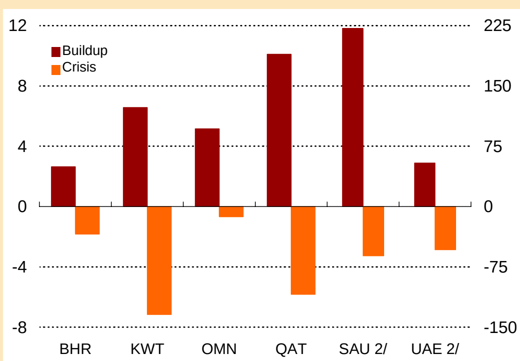


Sources: National authorities; and IMF staff estimates and projections.

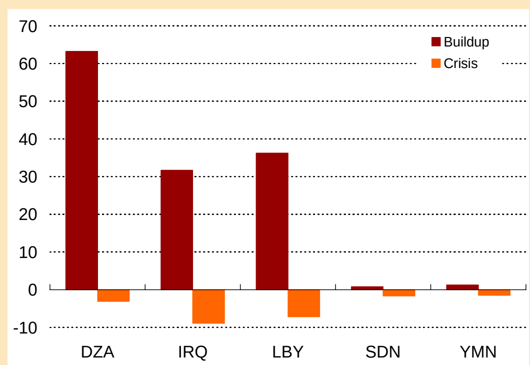
Figure 1.4

Buildup of External Reserves, Drawn Down During Crisis; Changes in International Reserves[1]

(GCC: billions of U.S. dollars)



(Non-GCC: billions of U.S. dollars)



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

[1] Sovereign wealth fund assets are not included. The buildup phase corresponds to the period between January 2007 and the month in which international reserves peaked in each country; and the crisis phase corresponds to the period between the reserve peak and each country's reserve trough, or its most recent figure, if no recovery is visible. Figures generally refer to the IMF *International Financial Statistics* line "total reserves minus gold," except in the case of Bahrain, Oman, and Saudi Arabia, where they refer to central bank foreign assets. The decline in reserves in Libya during the crisis phase is explained by a transfer to its sovereign wealth fund.

[2] Right axis.

---

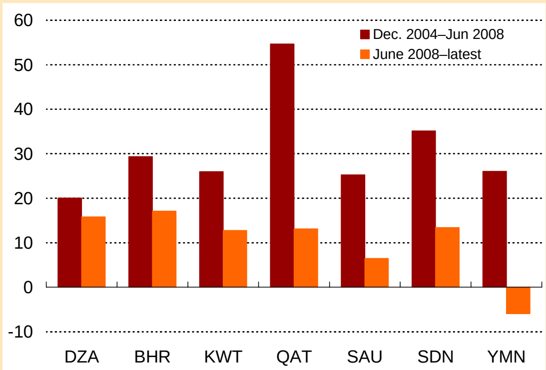
[1] With the exception of Sudan and Algeria, all MENAP oil exporters maintain some form of a fixed or managed exchange rate arrangement, mostly vis-à-vis the U.S. dollar. Algeria has a floating exchange rate regime, and Sudan has a managed float with a monetary aggregate target.

[2] Excluding Iran, owing to lack of data.

Figure 1.5

Private Sector Credit Decelerated

(Credit to the private sector; annualized growth rate)



Source: IMF, *International Financial Statistics.*

A decomposition of the changes in the sources and uses of funds in the banks' balance sheet helps shed light on factors that have likely contributed to the marked deceleration in bank credit in individual countries.[1] The main factors were the sharp decline in the growth of deposits, banks' limited ability to raise capital, and a withdrawal of foreign financing (Table 1.2). Particularly notable were the decelerations in deposits in Algeria, Bahrain, Qatar, and the United Arab Emirates, as well as reduced foreign financing in Kuwait.

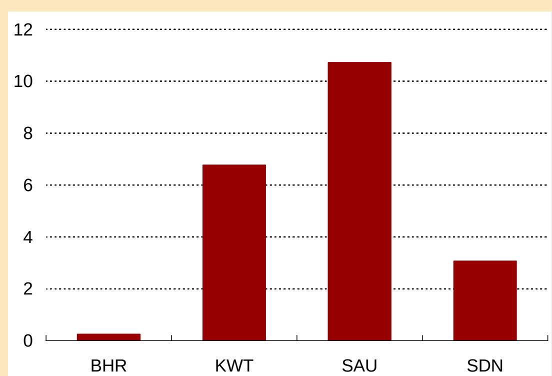
Most authorities responded swiftly to the deteriorating conditions in the financial sector, undertaking a variety of extraordinary steps to mitigate the credit crunch and the impairment of capital by injecting funds in stressed financial institutions. Part of this policy move took the form of expanding central bank credit to the banking system, particularly in Kuwait, Saudi Arabia, and Sudan (Figure 1.6). All of the GCC governments injected funds directly into the banking system. In addition, central banks in some countries (Libya, Yemen, and most GCC countries) lowered policy interest rates. A summary of the wide-ranging policy actions is presented in Table 1.3.

The banking systems have so far absorbed the stress, buffered by the authorities' actions and strong profitability in the precrisis years. By and large, banks have remained solvent and profitable at end-2008, albeit at a lower level (Table 1.4). Capital adequacy ratios have continued to be well above the required regulatory norm, and in many countries, the ratio of nonperforming loans has remained low, with more than 100 percent provision coverage (Oman, Saudi Arabia, and the United Arab Emirates). Within the banking system of the GCC, Islamic banks, having grown at very high rates in previous years, seem to be in a better position to withstand this shock, as a result of their larger capital and liquidity buffers (Box 1.1).

Figure 1.6

Central Banks Extend Credit

(Central banks' net claim on banks; change in percentage of base money)[1]



Source: IMF, *International Financial Statistics.*

[1] Corresponds to the crisis period as defined in Figure 1.4, except in the case of Saudi Arabia, where the increase in credit to banks occurred between August and October 2008, a few months prior to the peak in reserves.

---

[1] Increases in credit to the private sector are defined as the result of increases in the sources of funds minus those in alternative uses of funds. Based on *IFS* data, sources of funds are defined as (a) deposits and other liabilities; (b) credit from the central bank; (c) net foreign liabilities; and (d) capital and others, while alternative uses are defined as (a) net claims on the nonfinancial public sector; and (b) claims on the central bank.

Table 1.2

Drivers of Change in Credit Growth to the Private Sector During the Crisis[1]

	Factors Contributing to the Fall in Growth Rate of Credit[2,3]					
	Sources of Funds				Alternative Uses of Funds	
	Deposits and Other Liabilities	Credit From the Central Bank	Net Foreign Financing	Capital and Others	Net Claims on the Government	Bank Reserves
Algeria	-		+	+	+	-
Bahrain	-		+	-		-
Kuwait	+		-			-
Qatar	-		+	-	-	-
Saudi Arabia	-	+	-	-	-	+
Sudan	-	+	+		+	+
United Arab Emirates	-	+	-	-	-	-
Yemen	-		-	+		+

Sources: IMF, *International Financial Statistics* (IFS), and IMF staff calculations.

[1] Measures the absolute change in the annualized growth rate of credit, between two periods: 2004:12–2008:6 and 2008:6 to most recent data available.
[2] IFS categories: net foreign financing: foreign liabilities minus foreign assets; bank reserves: claims on the central bank; capital and others: capital plus the residual once all other sources and alternative uses of funds have been identified; net claims on the government: claims on the government and public enterprises minus government deposits.
[3] A + sign indicates that a given factor has accelerated, and a - sign indicates that it has decelerated. A blank cell indicates a negligible effect of a given factor on credit growth. Note that an acceleration in a source (alternative use) of funds will have an accelerating (decelerating) effect on credit.

Table 1.3

MENAP Oil Exporters: Policy Responses to the Crisis

	Financial Sector				Macroeconomic	
Country	Deposit Guarantees	Liquidity Support	Capital Injections	Equity Purchases	Monetary Easing	Fiscal Stimulus
GCC						
Bahrain		✓			✓	
Kuwait	✓	✓	✓	✓	✓	
Oman		✓		✓	✓	
Qatar		✓	✓	✓		
Saudi Arabia	✓	✓			✓	✓
United Arab Emirates	✓	✓	✓		✓	✓
Other						
Algeria					✓	✓
Iran		✓				
Libya	✓			✓	✓	✓
Yemen					✓	

Sources: National authorities; and IMF staff assessments.

Box 1.1

Islamic Banks and Conventional Banks in the GCC: How Did They Fare?

Islamic banks have grown substantially in recent years. Reflecting a strong increase in the demand for Shariah-compliant products, both in the region and globally, the Islamic banking industry has witnessed significant growth (Table 1), with their assets currently estimated at close to US$850 billion.

Did Islamic banks face different risks going into the global crisis?

Islamic banks and conventional banks faced similar risks in that (a) the risk profile of Shariah-compliant and conventional contracts are comparable; and (b) credit risk is the main risk for both types of banks. Unlike conventional banks, however, Islamic banks are not permitted to have any direct exposure to financial derivatives or conventional financial institutions' securities—which were hit hardest during the global crisis. Interestingly, an analysis of the GCC's top 50 banks[1] indicates that conventional banks also had this advantage going into the crisis—direct exposure to equity investments (and derivatives in the case of conventional banks) were very low in both types of banks (a mere 1 percent of total assets in conventional banks and 2 percent for Islamic banks in 2008).

The main difference in risk exposures appears to be related to concentration risk of Islamic banks in certain countries. While Islamic banks' exposure to the risky real estate and construpction sectors is lower in Saudi Arabia, Kuwait, and Bahrain, it is significantly higher than the system average in the United Arab Emirates and Qatar (Table 2).

Table 1

Market Share and Average Annual Asset Growth of Islamic and Conventional Banks in Selected Countries

(Percent)

	Islamic Banks' Assets in Total Assets in 2008	Growth Rate of Assets (Islamic Banks)	Growth Rate of Assets (Banking System)[1]	Period
Saudi Arabia[2]	35.0	33.4	19.0	2003–08
Bahrain[3]	29.9	37.6	9.6	2000–08
Kuwait	29.0	23.2	14.3	2002–08
U.A.E.	13.5	59.8	38.1	2001–08
Qatar	11.5	65.8	31.9	2002–08
GCC average	23.8	44.0	22.6	
Jordan	10.3	20.6	11.2	2001–08
Yemen	30.2	26.5	22.7	2004–08

Sources: Central banks; and Islamic banks' annual reports.

[1] Including Islamic banks.
[2] Including Islamic windows.
[3] Growth rate is calculated for the total of wholesale and retail while market share is for retail only.

How did banks fare during the crisis?

GCC banks' profitability fell substantially in 2008 and the first half of 2009 (Table 2), with a largely similar overall impact on Islamic and conventional banks. Islamic banks were less affected by the initial impact of the global crisis, potentially reflecting a stronger first-round effect on conventional banks through mark-to-market valuations on securities in 2008. For the first half of 2009, data indicate slightly larger declines in profitability for Islamic banks compared to conventional banks, which could be linked to the second-round effect of the crisis on the real economy, especially real estate. There are, however, differences in the relative impact on

[1] Based on Bankscope data. The sample for the sector includes the top 49 banks (conventional and Islamic). The Islamic banks' sample includes the top 18 Islamic banks.

Box 1.1 *(concluded)*

Islamic banks within GCC countries, reflecting variations in relative exposures to risky assets. In particular, the weaker performance of Islamic banks in 2009 was largely driven by the United Arab Emirates and Qatar, where they had a considerably higher exposure to the real estate and construction sectors. Banks are expected to post additional provisions in 2009. A more complete view of the impact of the crisis on the two groups of banks will become available next year.

Table 2

GCC: Selected Indicators for GCC Islamic Banks and the Banking System

(Percent; 2008)

	Saudi Arabia[1]		Kuwait		United Arab Emirates		Bahrain		Qatar		GCC Average[2]	
	Islamic	All	Islamic	All	Islamic	All	Islamic	All	Islamic	All	Islamic	All
Capital adequacy ratio	22.1	16.0	21.7	16.0	12.8	13.3	24.5	18.1	17.9	15.6	19.8	15.7
Change in profitability (2007–08)	2.0	-11.8	-42.7	-70.1	0.7	7.9	18.8	-4.6	4.5	21.7	-6.6	-13.9
Change in profitability (H1 2009–H1 2008)	2.9	-11.9	-71.9	-65.3	-34.2	-19.5	-46.5	-33.7	0.0	5.1	-29.0	-23.5
Change in profitability (2008 and H1 2009 compared with 2007)[3]	4.3	-7.2	-49.7	-65.8	-0.8	10.0	8.2	-3.2	2.8	25.4	-8.8	-10.2
Return on assets	3.7	2.1	1.6	3.2	1.7	2.2	2.6	1.3	6.6	2.6	3.2	2.3
Exposure to real estate and construction[4] (as percent of total loans)	5.6	7.3	22.1	31.4	25.7	12.9	11.3	26.2	38.3	18.4	20.6	19.2

Sources: National authorities; banks' financial statements; Zawya; and IMF staff estimates.

[1] The analysis for Saudi Islamic banks does not include Islamic windows in conventional banks.
[2] Simple average except for change in profitability.
[3] Based on average monthly profitability.
[4] It is not clear from published data whether exposures to real estate and construction include household mortgages. Exceptions Islamic bank data for Qatar, where it is clear that household mortgages are included, and banking sector data for Kuwait, which do not include household mortgages. This renders the comparability of exposures difficult.

Which group of banks is better-positioned to withstand adverse shocks?

With larger capital and liquidity buffers, Islamic banks are better-positioned to withstand adverse market or credit shocks. On average, Islamic banks' capital adequacy ratio (CAR) in the GCC is higher than that for conventional banks (except in the United Arab Emirates). The risk-sharing aspect of Shariah-compliant contracts adds to this buffer as banks are able to pass on losses to investors.

Table 1.4

Financial Soundness Indicators in Selected Countries, end–2008[1]

	Capital Adequacy Ratio	Ratio of Nonperforming Loans to Total Gross Loans	Ratio of Provisions to Nonperforming Loans	Return on Equity
Algeria	12.9	35.5	...	...
Bahrain	18.1	2.3	84.0	16.9
Kuwait	16.0	3.1	84.7	27.8
Libya	16.2	20.2	...	32.9
Oman	14.7	2.4 [2]	119.3	14.1 [2]
Qatar	15.6	1.2	83.2	21.5
Saudi Arabia	16.0	1.4	153.3	35.1
Sudan	10.5	23.5	...	...
United Arab Emirates	13.3	2.5	101.5	21.1
Yemen	14.6	18.0	62.3	11.4
Average Emerging Europe	15.8	6.5	58.5	6.5

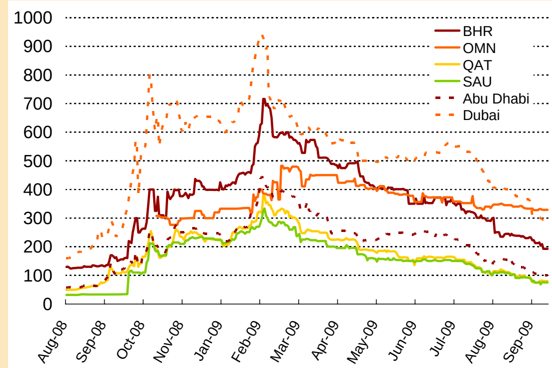
Sources: IMF, *Global Financial Stability Report;* national authorities, and IMF staff estimates.

[1] Except for: Sudan (February 2009) and Kuwait (September 2008).
[2] IMF staff estimates.

Figure 1.7

Financing Conditions Are Improving

(Credit default swap spreads; basis points: Aug. 1, 2008 –Sept. 20, 2009)



Sources: Bloomberg; Markit.

Recovery Taking Hold

The external environment is gradually improving: oil prices are rising, external financing conditions are easing, and an incipient global recovery is under way. After fluctuating between US$30 and US$40 per barrel in early 2009, oil prices rose to about US$70 per barrel in August and, based on futures markets, are projected to remain over US$75 per barrel in 2010. Spreads on sovereign credit default swaps in the region have fallen continuously since their peak in the first quarter of 2009—by more than 650 basis points in the case of Dubai, from a high of 944 basis points on February 13 (Figure 1.7). Despite uncertainties surrounding the strength of the global recovery, oil demand is expected to rebound, with OPEC well positioned to meet a near-term rise in demand (Box 1.2).

On the domestic front, housing markets in a number of hard-hit GCC countries are starting to stabilize, and financial markets have begun to turn around, with the Qatari stock market gaining as much as 72 percent from their trough (Figures 1.8 and 1.9).[2] Price-earnings ratios are increasing, reflecting a sign of renewed optimism over the region's economic outlook. For instance, price-earnings ratios in Abu Dhabi, Dubai, and Saudi Arabia have more than doubled since the beginning of the year and are approaching, or have already surpassed, their early-2008 levels (Figure 1.10).

International reserves are also rising, partially reversing previous losses—recent gains in Kuwait, Oman, and Qatar have been particularly large at 35 percent, 14 percent, and 63 percent, respectively (Figure 1.11). With deposit growth and capital inflows regaining strength, funding conditions in the banking systems are also improving (Figure 1.12). Private sector credit, however, has remained sluggish in some countries, reflecting increased risk aversion, difficulties in raising sufficient capital, and increased supervisory scrutiny. It could also reflect concerns about the recent credit problems faced by large family businesses in the GCC, and an expected deterioration in asset quality.

[2] See Beidas-Strom, Lian, and Maseeh (2009), and J.P. Morgan, "MENA Equity Research."

Box 1.2

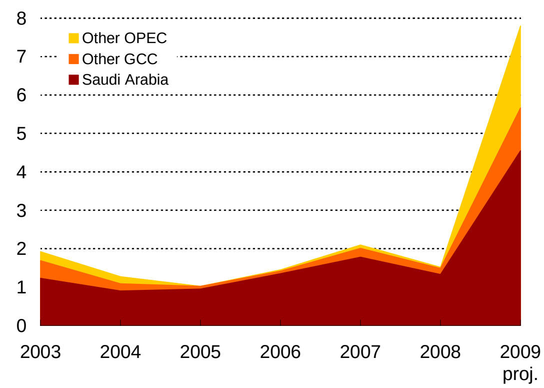
Oil Sector Prospects: Global Implications

Excess capacity in crude oil in OPEC countries is sufficient to ensure a smooth supply response to the global recovery in the near term. In particular, GCC countries have accounted for more than 90 percent of OPEC's spare capacity during 2003–09 (Figure 1). This was the result of investment in capacity expansion during the boom years, most notably in Saudi Arabia, which contributed 78 percent on average to OPEC's excess capacity. OPEC's excess capacity surged in 2009 to about 7.5 million barrels per day (mbd) compared with a global consumption of 86.3 mbd in 2008, in part owing to the cut back in supply in response to the contraction in global demand. OPEC members' compliance with revised quotas in January 2009 was initially higher than in earlier episodes of quota reductions, but has weakened in recent months.

Figure 1

OPEC Spare Production Capacity

(Millions of barrels per day)



Source: Energy Information Administration.

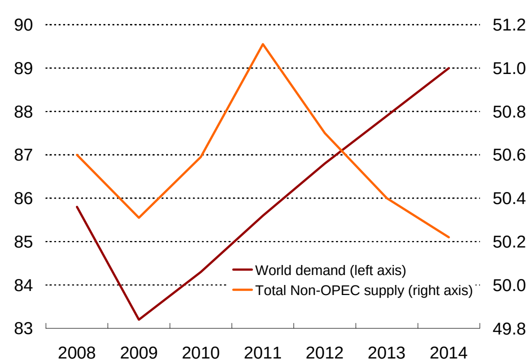
The pace of the global recovery will influence demand and supply developments in the medium term. Global demand and supply are projected to reach 89 mbd and 93.4 mbd by 2014, respectively (Figure 2). Transportation fuels will be the main driver of oil demand growth, which will emanate largely from non-OECD countries. Non-OECD demand is projected to grow by 2.6 percent on average per year through 2014 (from 38.3 mbd in 2008 to 44.6 mbd in 2014) with growth concentrated in Asia, the Middle East, and Latin America. This would represent roughly 50 percent of global demand, compared with about 45 percent in 2008.

Looking ahead, about 90 percent of the increase in supply is expected to come from OPEC. The potential for increasing oil production is much more limited in non-OPEC countries, reflecting the impact of tight liquidity conditions on both upstream and downstream investments and aging fields. In contrast, OPEC supply response is predicated on stronger fiscal and external positions that have permitted continued capacity expansion despite delays in the implementation of some projects. Crude production capacity in OPEC countries is projected to increase from 34.2 mbd in 2008 to 35.8 mbd by 2014. This would be supplemented by natural gas liquids (NGLs) and condensates, which are projected to more than double to 7.3 mbd. About 90 percent of the increase in NGLs and condensates would originate in the GCC.

Figure 2

Global Oil Medium-Term Prospects

(Millions of barrels per day)[1]



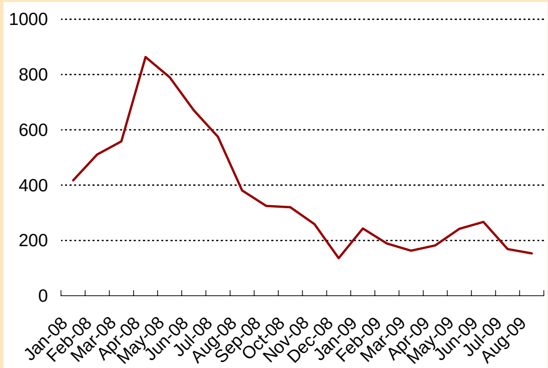
Source: International Energy Agency.

[1] Projections.

Figure 1.8

Signs of Bottoming Out

(Dubai Land Transactions: number of transactions)



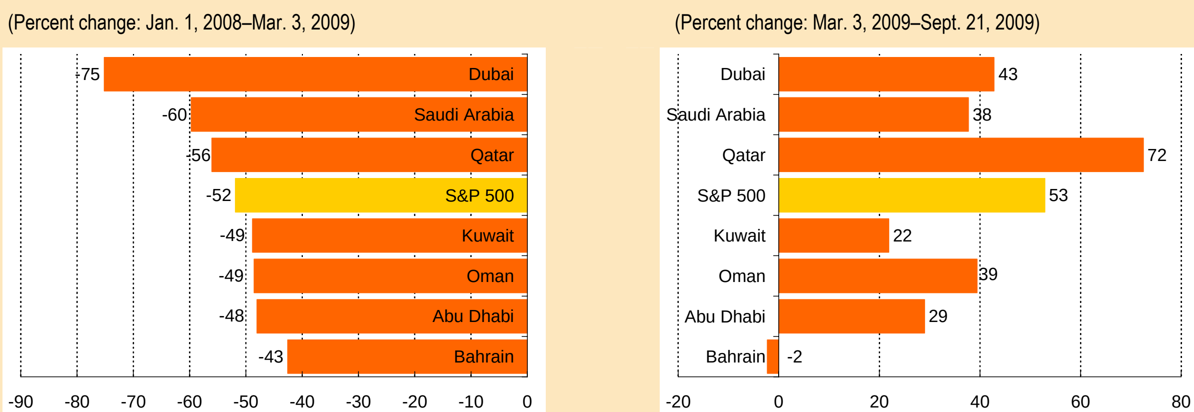
Source: Dubai Land Department.

an increase in international commodity prices since the beginning of 2009,[3] inflation rates have continued to fall since August 2008 (Figure 1.13), and are forecast to remain in the 5–10 percent range in most countries.

The current account balance for the MENAP oil exporters as a whole is projected to show a surplus of about US$171 billion or 9.5 percentage points of GDP in 2010 (Figure 1.14). Imports are projected to increase to more than US$750 billion in 2010, lifting the region's share of world imports from 3.9 percent in 2008 to 4.7 percent (Table 1.1). Thus, the MENAP oil exporters will continue to contribute to sustaining global demand.

Figure 1.9

Change in Stock Market Indices: Large Drop, Partial Recovery



Source: Bloomberg.

Outlook for 2010

With the rebound in the global economy in 2010, oil and non-oil GDP are projected to grow at 4.4 percent and 3.9 percent, respectively, on average across the region (Figure 1.1). Given current projections for domestic spending, the pace of non-oil sector activity will remain well below the growth rates reached in 2005–07. Despite expansionary macroeconomic policies and

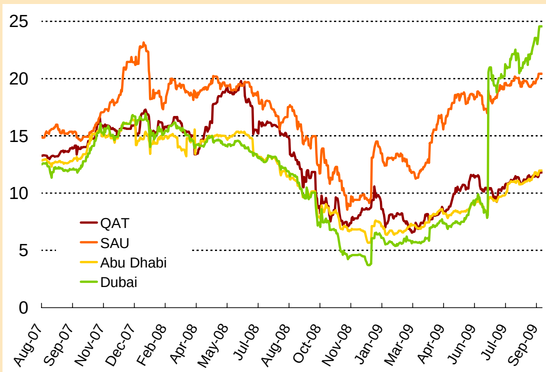
The countercyclical fiscal policy pursued in several GCC countries in response to the crisis is expected to be maintained (especially in

[3] During the first six months of this year, the WEO world non-fuel commodity price index increased by 15.3 percent, while the food and beverage index rose by 13.0 percent.

Figure 1.10

Valuation Ratios Signal Optimism Toward a Recovery

(Price-earnings ratios in selected markets)

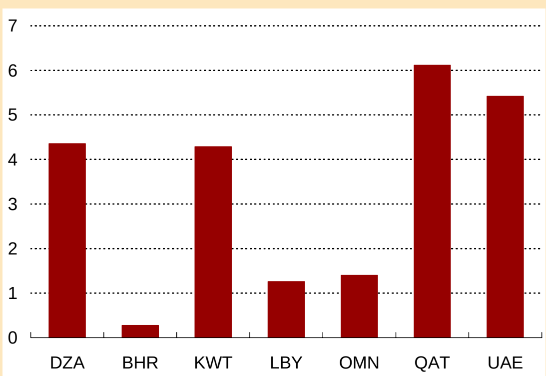


Source: Bloomberg.

Figure 1.11

Recent Increases in Reserves[1]

(Billions of U.S. dollars)



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

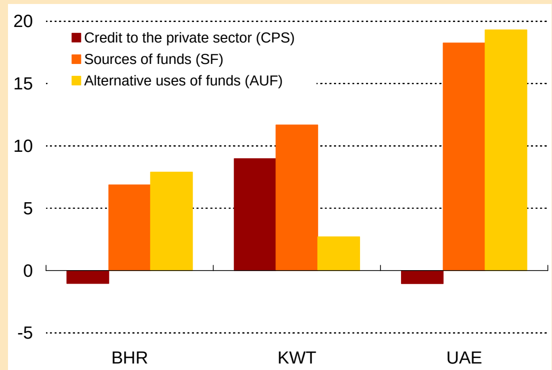
[1] From trough of international reserves up to most recent date.

Saudi Arabia and the United Arab Emirates), with a focus on large public investment projects. Projections for fiscal balances vary noticeably between GCC and non-GCC countries. For the first group, fiscal surpluses are projected to decline in 2009, and then recover in 2010. For the second, a slight improvement is forecast for 2009, with little change in 2010 (Figure 1.13). Given the uncertainty regarding the pace of global recovery

Figure 1.12

Banks' Funding Sources Are Recovering, but Not Necessarily Their Lending Activities[1]

(Decomposition of the growth rate of bank credit; ΔCPS = ΔSF–ΔAUF)



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

[1] From trough of international reserves up to most recent date.

and in light of the anticipated increase in oil prices, continued spending in 2010 is both warranted and feasible in countries with ample fiscal space (Appendix).

In due course, as guided by developments in the global and domestic economies, an exit strategy from the recent exceptional measures to support the financial sector would need to be considered. In fact, in cases where commercial banks have been building up their reserves in the central bank and clear signs of a sustained recovery emerge, the authorities should assess when government funds in the banking system would no longer be needed.

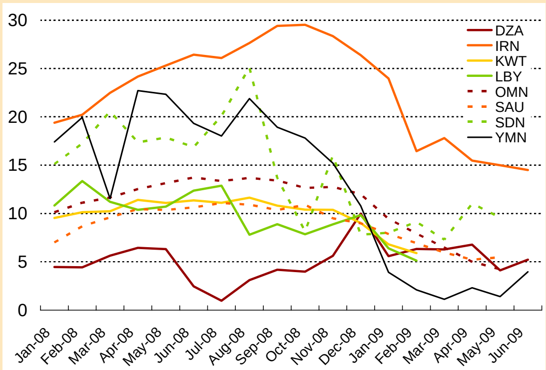
Caution is needed in some low-income MENAP oil exporters to ensure that debt does not rise to unsustainable levels. As a result of the substantial widening of their fiscal deficits—by about 2½ percentage points of GDP in 2009—Sudan and Yemen are likely to record troubling increases in their ratios of public debt to GDP in 2009 and 2010.

Key improvements in financial regulation and supervision already in place in some MENAP oil exporters will continue to be crucial for safeguarding the financial system against future shocks. The spillover among GCC financial

Figure 1.13

No Sign of Inflationary Pressures Yet

(Consumer price inflation; average; percent: year-on-year)



Source: IMF, Information Notice System.

markets—where difficulties faced by large businesses in one country affected the banking system in another—also underscores the need for these countries to harmonize their regulatory efforts.

Furthermore, to reduce vulnerability to external sources of funding, domestic financial systems should be further developed. Most businesses are concentrated in retail, trade, construction, and real estate—sectors that have been hit hard by the crisis and borrow from banks that rely heavily on external funding.

Medium Term: Promoting Greater Diversification

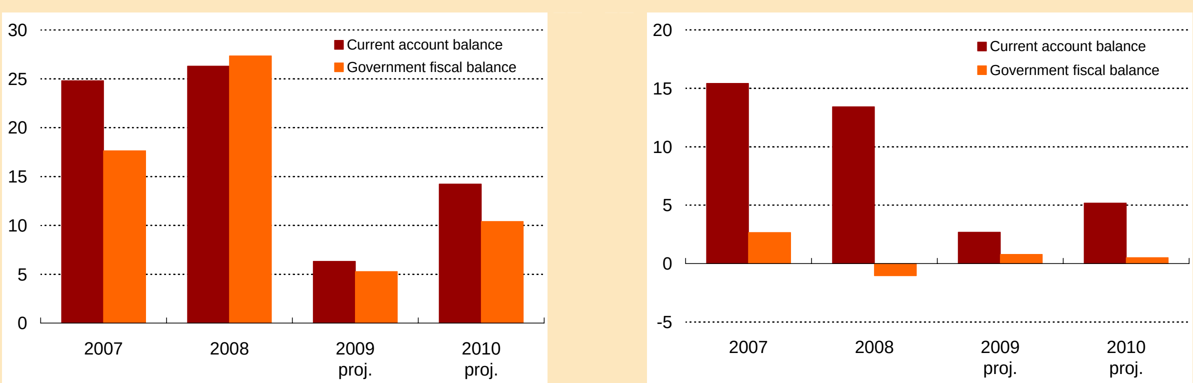
Looking ahead, ongoing initiatives to diversify financing channels away from banks need to be pursued. In particular, GCC policymakers increasingly see value in developing alternatives to bank financing, such as local debt markets for large corporates, thus allowing banks to concentrate more on financing small and medium-size enterprises that create private sector jobs and more diversified economies. At the same time, this would attenuate the adverse impact of banking distress on the provision of credit and help enhance corporate governance as debt issuance will demand more rigorous financial disclosure and transparency.

Figure 1.14

External and Fiscal Balances Should Improve As Global Economy Recovers

(GCC: percent of GDP)

(Non-GCC: percent of GDP)



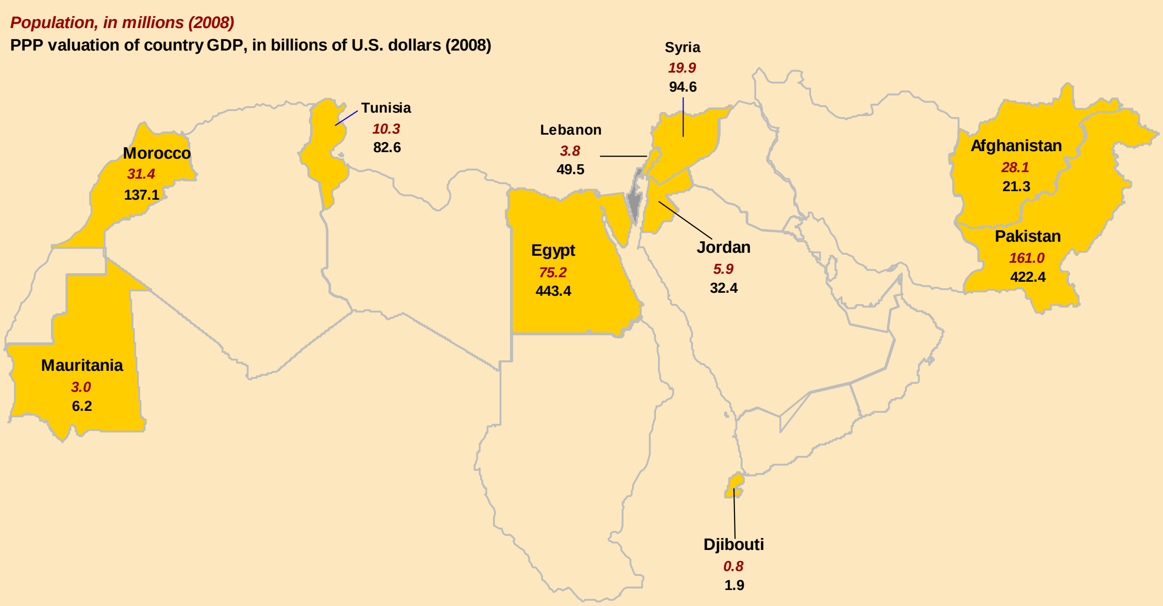
Sources: National authorities; and IMF staff estimates and projections.

2. MENAP Oil Importers: Slow Recovery Ahead

The MENAP oil importers are a diverse group, encompassing both emerging and low-income economies. Many have seen significant slowdowns in the past year but, overall, these countries have escaped the substantial contractions experienced in other parts of the world. Supportive policy responses, a low degree of integration with international capital markets and manufacturing supply chains, and banking systems that had little exposure to structured financial products have contained the fallout. While the slowdown has been modest, this group of countries is also likely to experience a slow recovery. Limited external financing, little space for fiscal stimulus, a real appreciation of most domestic currencies, sluggish receipts from tourism and remittances, and higher energy prices will all continue to be a drag on growth for some time.

MENAP Oil-Importing Countries

MENAP oil importers are diverse in terms of geography, level of development, and integration with regional and global markets. Per capita income levels vary widely, as do poverty rates within the group. In economic terms, the group is dominated by Egypt and Pakistan (which account for 70 percent of nominal GDP among the group). Per capita GDP ranges from US$416 in Afghanistan to US$7,700 in Lebanon. Although more diverse in terms of economic structure than the MENAP oil exporters, the oil importers do share some common features—including close economic and trade ties with the GCC and Western Europe, fairly low levels of financial and industrial development, limited integration with world markets, and relatively high levels of public debt.



Sources: IMF, *Regional Economic Outlook* database; and Microsoft MapLand.

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

Economic Activity Is Picking Up Gradually

The MENAP oil importers are slowly starting to pull out of the economic downturn. While high-frequency economic data for these countries are sparse, some indicators suggest that activity has begun to turn upward. In Egypt, Morocco, and Pakistan (the three largest economies in the group), exports have recently increased, although values remain at lower levels than a year ago (Figure 2.1). Other indicators, such as industrial production, however, show that the recovery is still tentative.

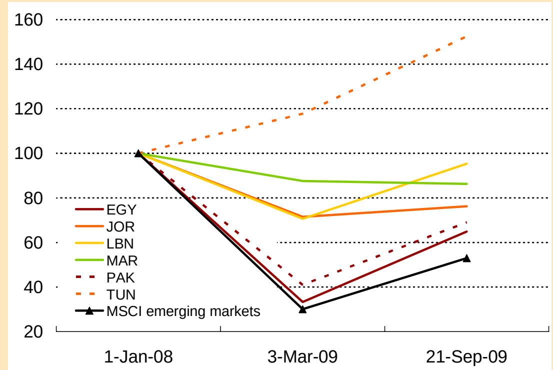
In comparison, the recovery in financial markets has been more robust. Stock markets in Egypt and Pakistan have almost doubled since their lows in early 2009 (Figure 2.2). Other countries in the group have seen smaller percentage increases this year, but also recorded more limited losses last year. Since the start of 2008, markets in the region have generally outperformed the emerging market average. Remarkably, Tunisia's index was hardly affected by the crisis and is now near its record high.

Overall, the rebound in output is likely to be gradual. Growth patterns vary, but for the MENAP oil importers as a group, real GDP is now projected to expand by 3.6 percent in 2009 and 3.8 percent in 2010 (Figure 2.3). With output and financial market conditions in Egypt and Lebanon outperforming expectations in recent months, these growth rates are slightly higher than those projected in the May REO. For most countries in the group, however, growth is expected to remain below precrisis levels for some time, and the pickup is projected to be slower than that of global activity as a whole.

Figure 2.2

Stocks Outshining MSCI Benchmark

(Stock market performance; index, Jan. 1, 2008 = 100)

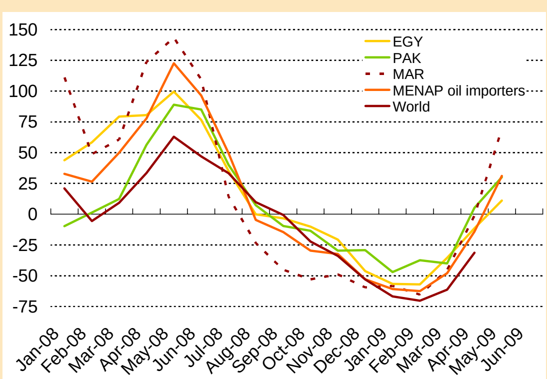


Source: Bloomberg.

Figure 2.1

Exports Rebounding

(Change in exports; annualized percent change of three-month moving average over previous three-month moving average)

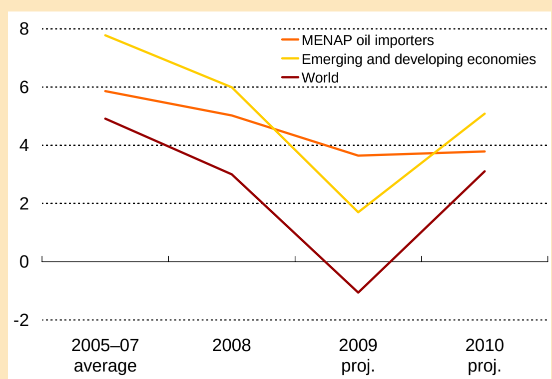


Source: IMF, *Direction of Trade Statistics*.

Figure 2.3

Economic Growth Slowed During the Crisis and Is Likely to Remain Relatively Subdued

(Real GDP growth; percent)



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

Limited Links to Global Economy Provided Protection Against Downside Risks

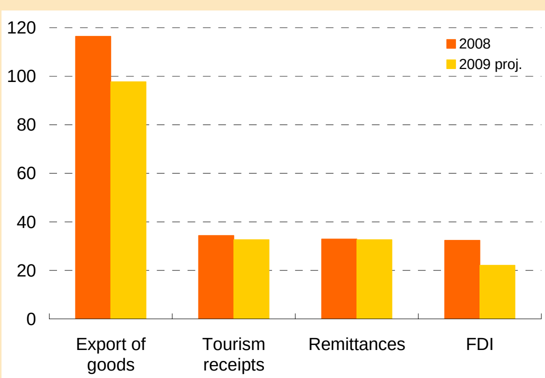
For the MENAP oil importers, the global crisis has manifested itself mainly in a reduction in receipts from abroad. Merchandise exports and foreign direct investment have been hardest hit and are, on average, projected to decline in 2009 by 16 percent and 32 percent, respectively (Figure 2.4). Tourism receipts and remittances have also declined, but not as much. In some cases, increased financial stress has also given rise to capital outflows, with international reserves dipping in Egypt as global tensions spiked in late 2008.

For the most part, however, the negative impact on the MENAP oil importers has been relatively modest. Capital outflows were manageable and are now reversing, and the loss of export earnings has been much less than those experienced in Asia. For example, demand for textiles—the major manufactured export item of several countries in the group—has slowed, but generally by substantially less than for many other products. During the first half of the year, European Union imports of textiles, clothing, and related products fell by only 4 percent. In contrast, European Union total merchandise imports dropped by 24 percent over the same period, with petroleum products and heavy manufacturing registering the largest declines.

Figure 2.4

Lower Receipts from Abroad

(MENAP oil importers: external receipts; billions of U.S. dollars)[1]



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

[1] Excludes Afghanistan and Djibouti. Tourism receipts also exclude Pakistan.

Receipts from tourism and remittances have varied considerably across countries. Available data indicate that, over the past year, remittances have fallen by 24 percent in Egypt, while both remittances and tourism contracted by about 12 percent in Morocco. In contrast, tourism has been stable or even growing in Jordan, Lebanon, Tunisia, and Syria, reflecting country-specific developments (such as recovery from last year's unrest in Lebanon and increased tourism from oil-exporting neighbors) as well as an apparent switch away from higher-cost destinations. In addition, remittances into Pakistan and Tunisia are reported to have increased, although this could also reflect misrecorded savings of workers returning to their home countries.

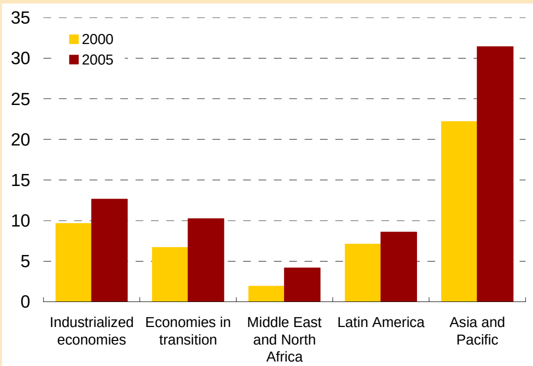
In most of these countries, a smaller import bill has offset the decline in export receipts as lower oil prices and the drop in foreign direct investment have contributed to marked reductions in the price and volume of goods purchased abroad. This has helped reduce pressure on the balance of payments and has allowed reserves to increase.

The largely muted impact of the crisis on the MENAP oil importers reflects their low level of international integration. Perhaps nowhere is this more apparent than in their limited engagement in advanced manufacturing (Figure 2.5). This sector relies on a highly specialized and intricate supply chain that spans the globe—a very efficient mode of production, but one that is also highly vulnerable to disruption at all stages. In addition, much of the sector's output consists of capital goods and machinery for which demand tends to be cyclical. These characteristics have rendered the sector among those most affected by the global crisis. Its minor role in the MENAP region helps explain why these economies have been relatively unharmed by the global crisis, as illustrated by the correlation between the share of advanced manufacturing in GDP and the magnitude of the slowdown (Figure 2.6).

Figure 2.5

Little Advanced Manufacturing . . .

(Share of advanced manufacturing value added in GDP; percent)



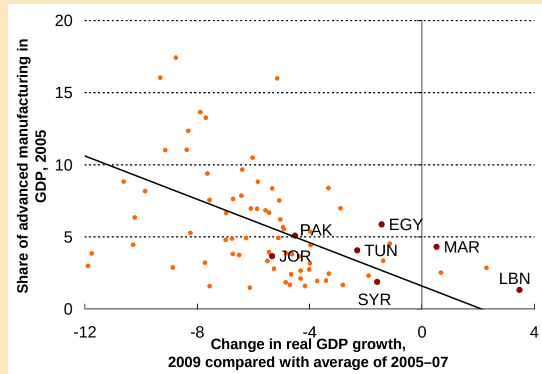
Sources: UNIDO database; and IMF staff calculations.

Note: Advanced manufacturing is high- and medium-technology manufacturing as defined in the UNIDO *Industrial Development Report*, 2009.

Figure 2.6

. . . Has Provided Protection from the Downturn . . .

(Share of advanced manufacturing in GDP and projected change in growth; percent)



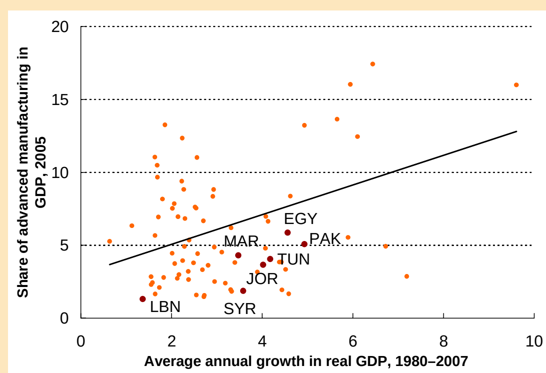
Sources: UNIDO database; *World Economic Outlook*; and IMF staff calculations.

In Lebanon—where advanced manufacturing plays only a minor role—the impact of the global crisis has been particularly mild. In contrast, Egypt, Pakistan, and Tunisia are more engaged in advanced manufacturing and are projected to experience larger reductions in economic activity. Of all the oil importers, Jordan is likely to see the largest reduction in growth, largely on account of the contraction of its financial services sector. In general, while limited integration with the global manufacturing supply chain has helped insulate the MENAP oil importers from the downturn, it has also come at the cost of lower value added in production and slower economic growth (Figure 2.7).

Figure 2.7

. . . but at a Long-Term Cost

(Share of advanced manufacturing in GDP and average historical growth; percent)



Sources: UNIDO database; *World Economic Outlook*; and IMF staff calculations.

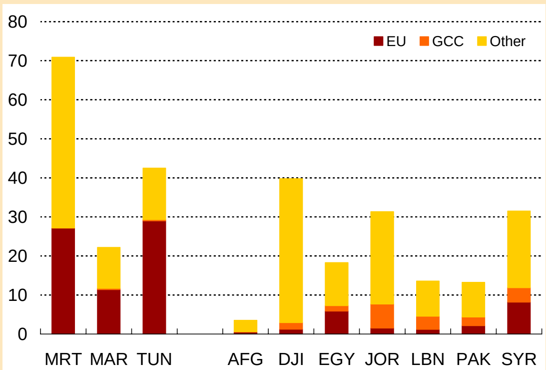
Aside from these general patterns, varied developments reflect the diverse nature of the region. Countries in the Maghreb (Mauritania, Morocco, and Tunisia) have been more exposed to the slowdown in the European Union—their main trading partner and most important source of remittances (Figure 2.8). In Morocco, however, an exceptional agricultural harvest is expected to mitigate the impact of the global economic slowdown on overall output, while Tunisia is benefiting from a major gas field coming on line.

Further to the east, countries in the Mashreq (Egypt, Jordan, Lebanon, and Syria) are more closely linked to the GCC, where increased government spending has helped sustain demand and, to some extent, has provided neighboring countries with a buffer against the downturn (see Chapter 1).

Figure 2.8

Trade Patterns Differ

(Direction of merchandise exports, 2008; percent of GDP)



Source: IMF, *Direction of Trade Statistics*.

In Pakistan, the economic slowdown began before the global crisis—a consequence of preexisting macroeconomic imbalances and a deteriorated security situation.

Some have seen hardly any impact from the crisis, as is the case for Afghanistan and Mauritania, whose exports are small or based on primary products and where there are few trade and financial linkages with the rest of the world. Djibouti's economy, too, is bucking the trend by continuing to grow at a healthy pace spurred by a number of large foreign direct investment projects in construction and port services.

Limited Exposure to International Capital Markets Curbs Fallout

While the global financial crisis also rippled through to local stock markets and sovereign bond spreads, the negative impact on regional output has been relatively small (Box 2.1).

Across the MENAP oil importers, no major financial institutions have failed. In addition, except in Pakistan, credit growth has remained positive, in line with the muted deceleration in output. These countries' mainly bank-based financial systems are well capitalized and avoided significant exposure to U.S. subprime or other structured securities. Moreover, reinforcing confidence, Jordan instituted a blanket guarantee on bank deposits, while Egypt reiterated an existing blanket guarantee.

Historically, the volume of external financing has been relatively insignificant across the region. While the oil importers enjoyed increasing capital inflows in the run-up to the global crisis, the total value of external bond issuance was relatively low. Since 2007, Lebanon has been the only country to issue external bonds, many of which have been locally purchased (Figure 2.9).

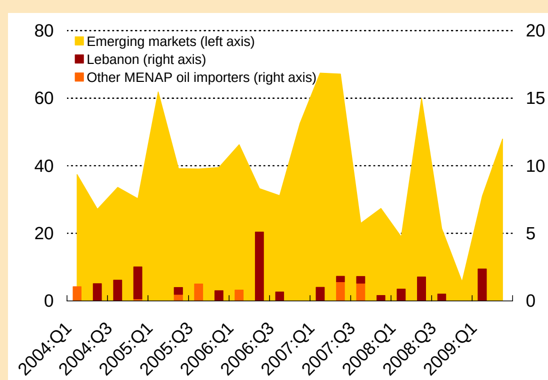
Although emerging market bond issuance is recovering from a near-standstill at end-2008, none of the countries in the group—except probably Lebanon—plan to tap international bond markets over the coming year. Dominated by Egyptian—and to lesser extent Pakistani—borrowers, cross-border bank lending to these countries has been similarly small in scale and has yet to resume in earnest (Figure 2.10).

While access to international capital markets remains limited, the cost of external borrowing has declined in recent months. In line with developments in other emerging markets, the interest rate spread over U.S. treasuries on sovereign borrowing jumped sharply in late 2008, reaching as much as 20 percentage points in Pakistan for a short period. However, these

Figure 2.9

Low Issuance of External Bonds . . .

(Emerging market bond issuances; billions of U.S. dollars)



Source: Dealogic.

Box 2.1

Spillovers from the Global Crisis

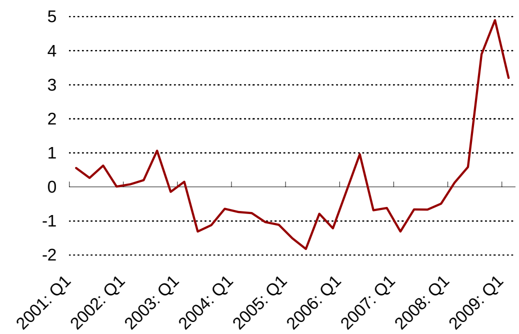
Financial markets in the MENAP oil-importing countries experienced significant spillovers from the global financial crisis. Financial stress, as measured by a normalized index of exchange rate market pressure and four market-based price indicators (sovereign bond spreads, banking sector β, stock market returns, and stock market volatility) with equal weights, spiked in late 2008. The increase was mostly driven by a sharp decline in stock market prices, increased stock market volatility, and increased sovereign bond spreads. Financial stress has subsequently declined but remains elevated compared to last year.

Movements in stock index returns during the second half of 2008—one of the main contributors to the increase in financial stress—can largely be attributed to developments in global financial markets, as shown by very large comovements (more than two standard deviations) of stock index returns for Egypt, Jordan, Lebanon, and Morocco with the S&P500. This contrasts with the September 2001 crisis, during which only small comovements were apparent. There were also substantial comovements between sovereign bond spreads, although of smaller magnitude.

Figure 1

Financial Stress in the MENAP Region

(Index)



Source: IMF staff calculations.

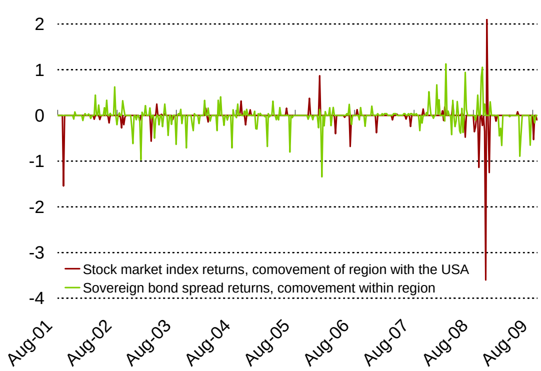
Note: Figure covers Egypt, Jordan, Lebanon, Morocco, Pakistan, and Tunisia.

A decomposition of real GDP growth shows that stress in the financial sector had a relatively small, albeit statistically significant, effect on growth in the MENAP region. The spillovers to the real economy were mostly from a contraction of output in advanced economy trading partners and other factors, and to a smaller extent via greater financial stress. Country-specific analysis for Tunisia indicates that trade and tourism are the most important transmission channels, and that the impact of a shock in Europe takes several quarters to materialize fully.

Figure 2

Comovements of Financial Assets

(Standard deviations)



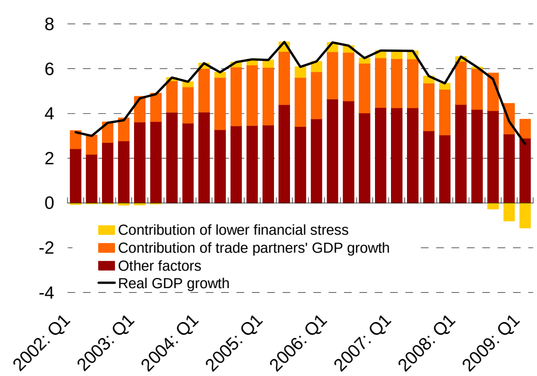
Source: IMF staff calculations.

Note: Figure covers Egypt, Lebanon, Morocco, and (in the case of stock market comovements) Jordan.

Figure 3

Decomposition of Regional Real GDP Growth

(Percent: year-on-year)



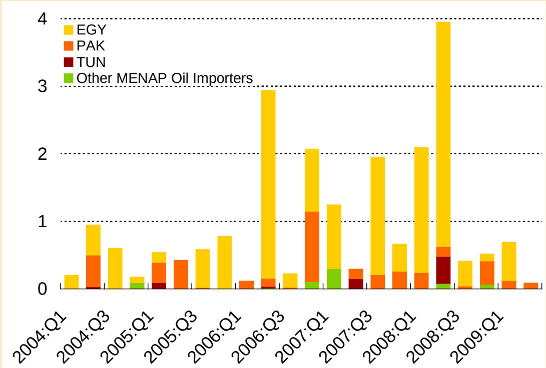
Source: IMF staff calculations.

Note: Figure covers Egypt, Jordan, Morocco, Pakistan, and Tunisia.

Figure 2.10

. . . and Little Cross-Border Bank Lending

(Cross-border loans to MENAP oil importers; billions of U.S. dollars)



Source: Dealogic.

spreads remain elevated at between 70 basis points in Egypt and 625 basis points in Pakistan. And, with the exception of Lebanon, even the governments that were accessing international markets prior to the crisis are now relying entirely on domestic or official sources to finance their deficits, which are projected to range from about 2 percent of GDP in Morocco to some 8 percent of GDP in Egypt.

The switch to local financing in these countries appears to have taken place seamlessly, in sharp contrast to what has occurred in some other emerging markets, where sudden stops of capital inflows have had severe consequences. This is not surprising, given the MENAP oil importers' limited dependence on external private financing and, in many cases, relatively deep local debt markets. At the same time, as private credit growth has slowed, the relative ease with which most governments in the group have been able to finance fiscal deficits at home may reflect reduced competition for loanable funds. If fiscal balances do not improve as the global and regional recovery progresses, interest rates are likely to rise with greater private sector demand for capital. Given ambitious plans for bond issuance in industrial countries, the future cost of capital is also likely to go up with the anticipated increase in U.S. treasury yields.

Policy Responses Are Constrained

The MENAP oil importers have responded to the slowdown with a range of fiscal and monetary measures (Table 2.1).

- In Egypt, the government stepped up expenditure (mainly on infrastructure) by about 1 percent of GDP in 2008/09 and provided further easing in 2009/10. In addition, the central bank has cut policy rates six times since the beginning of 2009 and reiterated its 100 percent guarantee on local bank deposits.
- In Jordan, the 2009 budget envisages a substantial increase in capital spending and some tax cuts, financed mostly by savings from lower fuel and food subsidies. Interest rates have been cut by 150 basis points since late 2008, and required reserves have been reduced from 10 percent to 7 percent. A temporary blanket guarantee on bank deposits was issued in October 2008.
- In Morocco, the authorities intend to boost public investment by ½ of one percent of GDP and to proceed with plans to lower income taxes and to increase wages at the lower end. The key policy rate has been reduced by 25 basis points and required reserves have been reduced from 15 percent to 10 percent since the start of 2009.

Table 2.1

MENAP Oil Importers: Policy Responses to the Crisis

Country	Monetary Easing	Deposit Guarantees	Liquidity/ Prudential	Fiscal Stimulus	Stock Market Intervention
Egypt	✓	Reiterated		✓	
Jordan	✓	✓	✓		
Lebanon			✓		
Morocco	✓	Already exists	✓	✓	
Pakistan	✓		✓		✓
Syria			✓	✓	
Tunisia	✓		✓	✓	✓

Sources: National authorities; and IMF staff assessments.

- In Pakistan, the 2009/10 budget provides for an easing of 1.2 percent to 1.5 percent of GDP compared with the earlier program. Interest rates were cut by 100 basis points in April and again in August by the same amount.

- In Tunisia, the authorities introduced in several steps fiscal measures totaling about 1.4 percent of GDP in 2009, involving an acceleration of investment projects and support to affected export sectors and their domestic suppliers. Earlier, the required reserve ratio was lowered from 10 percent to 7½ percent, and the key policy rate was reduced by 75 basis points.

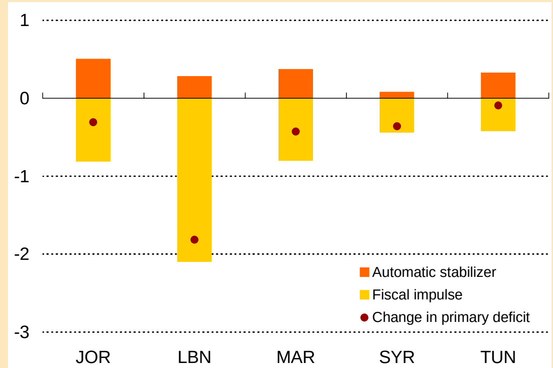
Despite this range of countercyclical measures, overall fiscal policy packages have tended to be procyclical. Based on a measure of fiscal impulses (Appendix), Morocco and Tunisia have been providing a substantial discretionary stimulus in 2009, on the order of 2 percent to 4½ percent of GDP, while most other countries appear to have maintained or tightened their fiscal policy stance. In 2010, however, the move toward greater fiscal tightening is projected to become more pronounced, with all countries shown in Figure 2.11 having to withdraw fiscal stimulus despite output falling further below potential. These results are in line with historical data, which suggest that the MENAP oil importers have generally had to pursue procyclical fiscal policies, even during recessions.

There are several plausible explanations for the seemingly reserved fiscal responses to the current slowdown. In almost all oil importers, high debt levels impose a major constraint on the size of deficits that can be sustained (Figure 2.12). With limited room for more debt and with revenue dropping as a result of the slowdown, most countries are having to cut expenditure. Reduced access to external financing may also be playing a role. Moreover, for major aid recipients, such as Djibouti and Jordan, tight spending could reflect an anticipated reduction in official development assistance. In several other countries, including Egypt and Morocco, fiscal developments are heavily influenced by changes in energy subsidies that move in line with the international price of oil.

Figure 2.11

Procyclical Fiscal Impulses

(Change in non-oil primary fiscal deficit, 2010; percent of non-oil GDP)



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

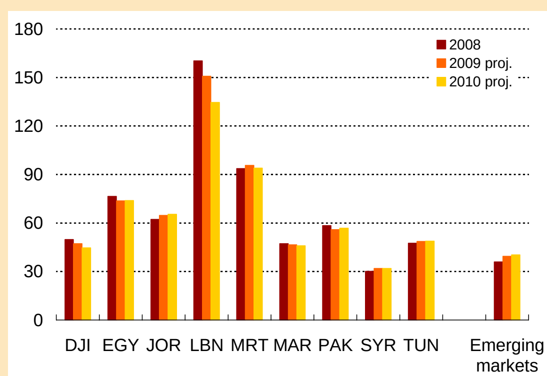
Note: Excludes countries where fiscal years differ from calendar years.

In contrast to the fiscal response, monetary stimulus is more uniform. With GDP growth below potential, inflation has receded sharply, helping create space for monetary easing (Figure 2.13). Accordingly, in many countries, including Jordan, Morocco, and Tunisia, the authorities have lowered reserve requirements substantially. Reductions in policy rates have generally been more cautious and to a large extent dictated by exchange rate

Figure 2.12

High Debt Burden

(Government debt; percent of GDP)



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

considerations, with most MENAP oil importers targeting a steady nominal exchange rate, vis-à-vis the U.S. dollar, the euro, or a basket of currencies. Looking forward, further rate cuts will need to be contemplated carefully, given exchange rate arrangements, reserve positions, and still-high rates of inflation in many countries—near or in the double digits in Egypt and Pakistan—and rising commodity prices in world markets.

Movements among the major reserve currencies—in particular the sharp appreciation of the U.S. dollar relative to the euro in late 2008—have led to considerable variation in effective (trade-weighted) exchange rates, and several of the MENAP oil importers have experienced sizable nominal effective appreciation (Figure 2.14). Moreover, despite recent moderation of price pressures, the majority of countries are still suffering a higher rate of inflation than are their trading partners. That has resulted in further appreciation of the real effective exchange rate and has hurt competitiveness, although in some cases it may have represented a move back toward fundamentals.

Domestic Consumption Will Be Main Driver of Recovery

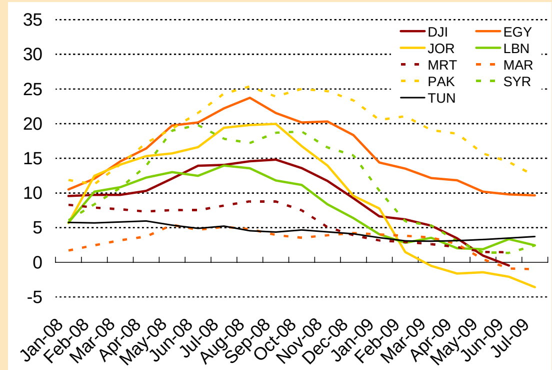
Domestic—rather than foreign—demand is projected to pull the oil importers' economies slowly forward (Figure 2.15). Tight government expenditures in most countries will be limiting the pace of growth. On the external side, the appreciation in real exchange rates in most countries, along with slow growth in partner economies, will work against an export-led recovery. Remittances are not likely to recover quickly either, with many workers having returned home after losing their jobs abroad and unemployment projected to rise in OECD countries in 2010. A sluggish global recovery will also hold back a rebound in tourism and foreign direct investment. Moreover, the impact of recent adverse developments in advanced economies may be felt with a lag (Box 2.1). Rising energy costs could also dampen the recovery, although some MENAP oil importers will be partly shielded by domestic hydrocarbon production and close economic ties to the oil-exporting GCC countries (Egypt and Syria).

Despite robust consumption growth, imports are set to fall by more than exports in 2009 and may recover more slowly. Much of the drop in imports is associated with reduced investment—a key factor behind muted growth prospects. Driven by lower foreign direct investment, gross capital formation is projected to decline by 1½ percent of GDP in 2009 and fall further in 2010 (Figure 2.16). As a result, the

Figure 2.13

Attenuating Price Pressures

(Consumer price inflation; average; percent: year-on-year)

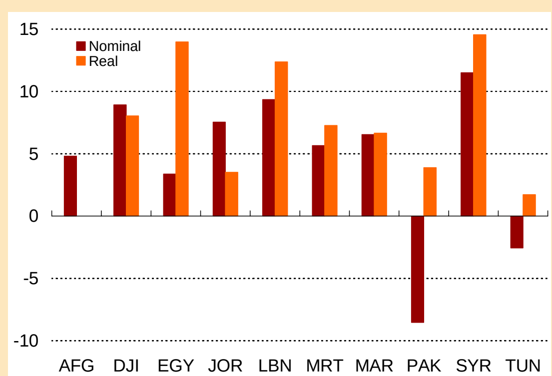


Source: IMF, Information Notice System.

Figure 2.14

Currencies Mostly Appreciating

(Effective exchange rates; percent change: July 2008 to July 2009; upward movement indicates appreciation)

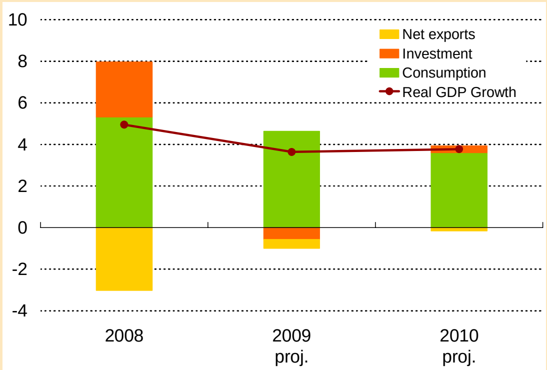


Source: IMF, Information Notice System.

Figure 2.15

Consumption Will Drive Growth

(MENAP oil importers: real GDP contribution; percent)[1]



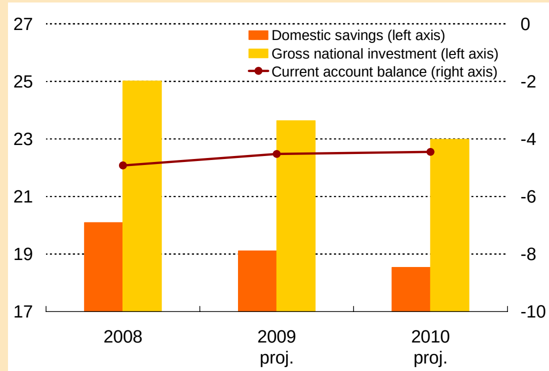
Sources: National authorities; and IMF staff estimates and projections.

[1] Excludes Afghanistan and Jordan.

Figure 2.16

Lower Investment Is Behind Narrowing of External Current Account Deficits

(MENAP oil importers: savings and investment balances; percent of GDP)



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

average current account deficit in this group of countries is projected to narrow to 4½ percent of GDP in 2009–10, half a percentage point of GDP lower than in 2008.

Downside Risks Linger

The region is projected to return to higher growth by 2011. If the global recovery fails to take hold, however, continued strong headwinds could prove problematic. Few, if any, countries in the group are in a position to provide stimulus for an extended period. Continued anemic growth could therefore have more serious consequences, including for poverty and social stability. Sharply higher oil prices would also be a concern for the countries with no hydrocarbon resources of their own.

An extended slowdown would test the strength of local financial systems, especially if coupled with another bout of global stress and increased risk aversion. The percentage of nonperforming bank loans has dropped over the past several years but still remains high in many countries (Table 2.2). A delayed recovery would hurt businesses and put further pressure on loan quality, potentially eroding confidence in the banking sector.

Over the medium to longer term, public debt sustainability is a concern for many of the MENAP oil importers. Thus far, ample financing has been available, mainly from domestic sources. However, continued large government deficits would be difficult to fund, in particular if global interest rates increase sharply. Large government financing needs would also tend to crowd out the local private sector, reducing growth prospects and, ultimately, the tax base.

Future Policy: A Delicate Balance

As the crisis recedes, policymakers need to start shifting attention from maintaining demand to improving the productive capacity of their economies. As the recovery is not yet entrenched, however, it is still too early to stop providing stimulus. At the same time, maintaining high fiscal deficits is becoming increasingly burdensome and global interest rates are likely to increase, constraining the scope for expansionary policies.

Monetary policy should be cautiously accommodative. Receding inflation and weak economic activity are providing greater space for interest rate cuts. Any step toward monetary easing would need to be carefully examined, however, particularly in those countries where the rate of inflation has been slow to come down. For countries that are not on a fixed exchange rate peg, additional exchange rate flexibility could also help offset the slowdown.

Fiscal policy will need to strike a balance between supporting domestic activity and reducing vulnerabilities. Countercyclical measures have been appropriate for those countries that were hard hit by the global crisis. At the same time, it is important to maintain focus on debt sustainability and other long-standing impediments to sustained economic growth. The net outcome for the MENAP oil importers has generally been a pause in the recent trend of debt reduction, rather than outright fiscal expansion. In light of the incipient recovery, countries should prepare to resume fiscal consolidation as soon as conditions permit.

Reforms to place public finances on a sounder footing would also help cement the road to higher growth. Improved tax collection and administration, especially in countries where revenue is low or declining relative to GDP, would generate more room for needed spending, build confidence, and make the economies less crisis-prone. To this end, revenue mobilization measures are needed in almost all countries. This includes the introduction of a value-added tax in Egypt, Pakistan, and Syria. To improve the efficiency of spending and reduce fiscal risks, widespread subsidies could be scaled back and funds redirected into infrastructure or more targeted social protection—Egypt, Pakistan, Jordan, and Syria are taking important steps in this direction.

Financial sector supervision requires continued attention, as amply underscored by the global crisis. High levels of nonperforming loans call for corrective action and corresponding provisioning. To better assess and prepare for potential vulnerabilities, banks should adopt more systematic and comprehensive stress testing and develop appropriate contingency plans.

Table 2.2

Banking Indicators Show Signs of Improvement and Some Challenges

(Financial soundness indicators; percent)

	Capital Adequacy Ratio		Ratio of Nonperforming to Total Loans	
	2007	Latest	2007	Latest
Afghanistan	14.6	…	0.9	1.5
Djibouti	8.1	8.5	17.8	16.5
Egypt	14.8	14.7	19.3	14.8
Jordan	20.8	17.6	4.1	4.2
Lebanon	12.5	11.4	10.1	7.2
Mauritania	28.2	31.5	…	27.2
Morocco	10.6	11.2	7.9	6.0
Pakistan	13.2	12.2	7.2	11.5
Syria	12.9	…	5.3	…
Tunisia	11.6	11.7	17.6	15.5

Sources: National authorities; and IMF staff calculations.

Medium Term: A Larger Role for the Private Sector

While the crisis has highlighted more immediate needs, countries should be careful not to lose the momentum on structural reforms, especially those that deal with the problem of protracted unemployment. To support this goal, the creation of an environment more conducive to private business should remain an overarching priority. This may involve broadening privatization programs and liberalizing the energy sector. While limited openness and lack of competition may have shielded regional oil importers from the risks associated with the global economic downturn, these countries' lack of international integration also implies forgone opportunities to boost economic growth and employment over the longer term.

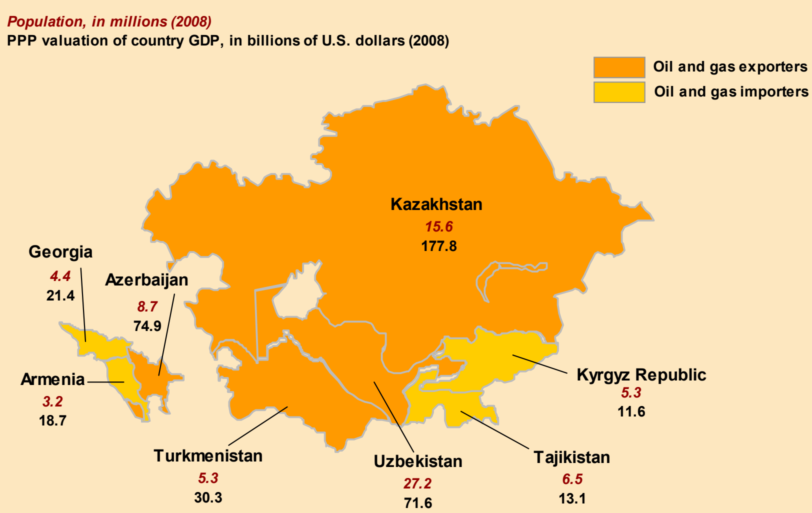
3. The Caucasus and Central Asia: In the Midst of the Crisis

For many countries in the Caucasus and Central Asia (CCA) region, the impact of the global economic downturn has been severe, but prospects for energy importers and exporters differ starkly. For energy importers, the economic outlook remains challenging and recovery in 2010 is likely to be gradual, primarily because of their linkages with Russia. In particular, remittances have fallen sharply, hurting low-income households. Fiscal policy should remain accommodative in 2010 to support growth and mitigate the impact on the poor, but continued concessional donor support will be needed to prevent a buildup of unsustainable debt levels.

The region's energy exporters will benefit from rising energy prices and are likely to rebound more sharply, with the exception of Kazakhstan, which will be held back by the lingering effects of its banking crisis. These countries should use part of their anticipated recovery in revenues to push ahead with structural reforms to diversify their economies and, especially in the case of Kazakhstan, to restore financial sector health. CCA countries should continue to preserve exchange rate flexibility or move toward flexible exchange rate regimes over time to help maintain competitiveness. To best take advantage of the expected global recovery, Central Asian economies would benefit from enhanced regional cooperation, particularly in the areas of infrastructure, energy trade, and water sharing.

Caucasus and Central Asia

The CCA region consists of eight former Soviet Union republics. In the north, the region borders on Russia and, in the east, on China. Both neighbors are key economic partners for the landlocked CCA region. There are four oil and gas exporters (Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan) and four oil and gas importers (Armenia, Georgia, the Kyrgyz Republic, and Tajikistan). CCA countries differ substantially in terms of per capita GDP, which ranges from US$795 in Tajikistan to US$8,500 in Kazakhstan.



Sources: IMF, *Regional Economic Outlook* database; and Microsoft MapLand.

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

Some Signs of Resilience Amidst the Crisis

The impact of the global downturn has been more severe than expected for many countries in the CCA region, but it has also varied markedly.

Most CCA energy exporters have weathered the global downturn reasonably well. Three out of the four energy exporters—Azerbaijan, Turkmenistan, and Uzbekistan—are projected to grow by between 4 percent and 8 percent in 2009, despite a large drop in exports (Table 3.1). In these countries, all of which have ample public savings accumulated during previous boom years, growth has been supported mainly by public spending. The exception is Kazakhstan, which, despite a large publicly financed anticrisis program, is facing a contraction of real GDP by 2 percent, in part driven by a banking crisis. In 2010, the energy exporters are expected to benefit from the recovery of energy demand, and growth is projected to range from 2 percent in Kazakhstan to 15 percent in Turkmenistan (Figure 3.1).

The CCA energy importers have been severely hit by the global slowdown, largely due to economic linkages with Russia (Box 3.1). Output in Armenia will fall more sharply than in other countries (roughly 15 percent in 2009), but it also grew faster in previous years, fueled by an inflow of remittances and a construction boom. Looking at the past five years as a whole, including this year's downturn, Armenia's cumulative growth performance remains somewhat stronger than that of the other energy importers. The Kyrgyz Republic and Tajikistan, on the other hand, may achieve modestly positive growth in 2009, driven by a bumper harvest and a marked diversification away from imports.

The fall in output in the CCA energy importers, combined with declining remittances and depreciating exchange rates, is projected to result in a 20 percent drop in per capita disposable income measured in U.S.-dollar terms. As a result, recent gains in poverty reduction are reversing.

On a positive note, recent data suggest that the economic downturn for energy importers may bottom out during the second half of 2009, and modest growth—in the range of 1 percent to 3 percent—should return in 2010.

Table 3.1

CCA Energy Importers Are Hard Hit

(Real GDP growth: annual change; percent)

Table 1. Real GDP Growth

(Annual change, in percent)

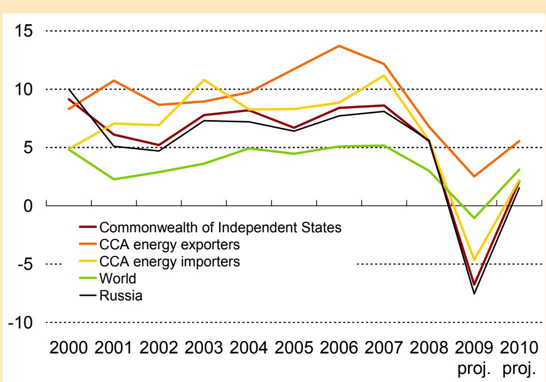
	2008	Proj. 2009	Proj. 2010
CCA	**6.6**	**1.5**	**5.1**
CCA energy exporter	6.8	2.5	5.5
Azerbaijan	11.6	7.5	7.4
Kazakhstan	3.2	-2.0	2.0
Turkmenistan	10.5	4.0	15.3
Uzbekistan	9.0	7.0	7.0
CCA energy importer	5.6	-4.6	2.2
Armenia	6.8	-15.6	1.2
Georgia	2.1	-4.0	2.0
Kyrgyz Republic	7.6	1.5	3.0
Tajikistan	7.9	2.0	3.0
Commonwealth Independent States	5.5	-6.8	2.1
Russia	5.6	-7.5	1.5
China	9.0	8.5	9.0

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

Figure 3.1

Modest Recovery Is in the Offing for 2010

(Real GDP growth; percent)



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

Box 3.1

Economic Prospects in Major Partner Countries and the CIS

The Russian economy is projected to contract by 7½ percent in 2009, followed by a modest recovery of 1½ percent in 2010. While the contraction appears to have bottomed out and fiscal stimulus is gaining traction, markedly lower oil prices and a sharp reversal of capital inflows are expected to exert a significant drag on domestic demand. The investment-consumption nexus that underpinned Russia's impressive economic performance in recent years has faltered. With sluggish investment growth dampening labor productivity, real wages are likely to remain stagnant. For the CCA, this outlook implies weak export demand from Russia in the near future, and suggests that remittances may not reach their precrisis levels of 2008 for some time. Despite its own difficulties, Russia continues to provide official assistance (primarily to the Kyrgyz Republic) and project financing to CCA countries.

China is set to remain a source of export demand and government financing for some Central Asian countries.[1] While China was also hit hard by a sharp fall in exports, a slowdown in the real estate market, and excess capacity in various industries, its economy is still projected to grow by over 8 percent in 2009. This is being driven by an expansion in credit of 23 percent of GDP during the first half of 2009 that has boosted investment, particularly in public infrastructure. In addition, domestic fiscal stimulus has been significant. As a result, recent data are encouraging, and there are signs of an economic turnaround taking hold. For Central Asian governments, China is also an important source of budget financing. For example, China is expected to provide bilateral financing of up to US$5 billion to Kazakhstan, which has gross external financing needs of US$16.5 billion in 2009. In Tajikistan, official loans from China are financing about 30 percent of public investment projects in 2009. Lastly, China has been building its commodity stocks, which may have helped CCA exports.

Countries of the Commonwealth of Independent States (CIS) outside the CCA are facing a contraction in 2009, followed by a tentative recovery in 2010. Links with Russia (both trade and remittances) have compounded the effects of the global recession, and GDP growth is projected to be only 2.1 percent in the CIS region in 2010.

[1] With respect to trade, China is an important export destination for Kazakhstan, the Kyrgyz Republic, and Uzbekistan.

Economic activity in the Commonwealth of Independent States (CIS) is projected to contract by 7 percent in 2009, more than the average for the CCA energy importers. The expected recovery in 2010—with a projected growth of 2 percent—is in a similar range to projections for CCA energy importers, but lower than for CCA energy exporters.

Modest External Demand Slated as Driver of Growth in 2010

An important channel through which the global economic crisis has affected the region—both the energy importers and some energy exporters (Azerbaijan and Uzbekistan) as well—is through a marked drop in remittance inflows (Box 3.2). Remittance outflows from Russia declined by about 30 percent during the first six months of 2009. In turn, remittance inflows into Armenia, Georgia, the Kyrgyz Republic, and Tajikistan—for which monthly or quarterly data are available—contracted by 20 percent to 60 percent, although the rate of decline appears to have stabilized by mid-2009. With many migrants working in the Russian construction sector, the decline in remittances is highly correlated with activity in that sector (Figure 3.2). These dramatic shifts have depressed domestic consumption and construction activity across the region, both of which were buoyed by remittances in the run-up

Box 3.2

The Macroeconomic Consequences of Declining Remittances and the Response of the International Community

Remittance flows are typically a stable and important source of external financing, but they have become a key transmission channel of the global crisis in the CCA. Remittance flows are often countercyclical, with migrants sending more money home when their home country is experiencing a downturn. They also tend to increase as migrants' incomes increase. As such, these flows are credited with raising income levels of recipient families, buffering them against consumption volatility, and helping reduce fluctuations in output at the macroeconomic level. The experience of the CCA in recent years, however, has been the reverse. In the run-up to the current crisis, when Russia—the CCA's most important source of remittances—was booming, remittance flows to the region increased by about eightfold between 2003 and 2008, and the CCA economies enjoyed high growth rates (Table 1). But in 2009, with the global crisis centered in remittance source countries, migrants facing falling incomes or unemployment, and CCA economies suffering a decline in growth, remittance flows have also declined sharply.

Table 1

Remittances to CCA Countries

(Millions of U.S. dollars, 2008)

	Armenia	Azerbaijan	Georgia	Kyrgyz Republic	Tajikistan
Remittances	1,062.1	1,554.3	732.1	1,232.4	2,134.5
Workers' remittances	123.6	1,416.1	305.1	1,224.1	...
Compensation of employees	929.2	102.3	419.2	...	...
Migrants' capital transfers	9.4	36.0	7.8	8.3	...
Remittances from Russia (percent of total)	76.0	54.0	53.0	91.0	95.0
Remittances/GDP (percent)	8.9	3.4	5.7	24.5	46.7
Growth of remittances 2003–08 (average annual; percent)	52.0	66.8	26.3	76.5	73.7

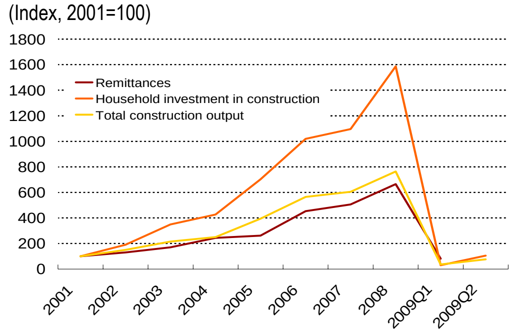
Sources: National authorities; and IMF staff estimates.

The fall in remittances is exacerbating the slowdown in growth. The global crisis is transmitted to the CCA through traditional channels, mainly trade, but also through financial flows. In addition, the fall in remittances is depressing domestic consumption and investment. Notably, private consumption is highly correlated with

Figure 1

Armenia: Remittances and Construction Output

(Index, 2001=100)

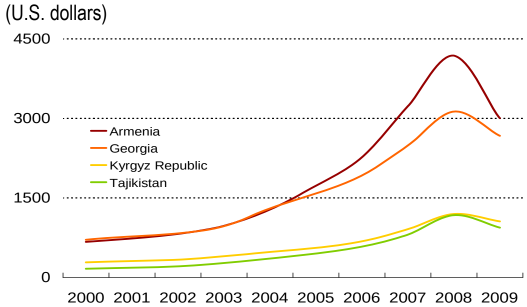


Sources: National authorities; and IMF staff estimates.

Figure 2

Gross National Disposable Income per Capita[1]

(U.S. dollars)



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

[1] Defined as GDP + nonfactor income + transfers.

Box 3.2 (concluded)

remittances, with a 10 percent decrease in the latter dampening consumption by 2 percent to 4 percent. Thus, the impact during the current crisis is reversing the effect of remittances in preceding years, when remittances fueled a strong growth episode through their effects on consumption and investment—particularly in real estate—leading to a construction boom in some countries (Figure 1).

Poverty is rising in the CCA as the main breadwinners of lower-income households living abroad face falling incomes and job losses. The effect of the fall in remittances is compounded by the contraction of economic activity at home, where the poorest CCA countries have been hit the hardest. Under current projections, gross national disposable income per capita in U.S.-dollar terms is declining (Figure 2), reversing years of progress toward poverty reduction and making the Millennium Development Goals even harder to achieve in the requisite time (Table 2).

Table 2

Demographics and Poverty

	Poverty rate (percent)	Infant mortality (number of deaths/1000)	Life expectancy at birth (years old)
Armenia	25.0	21.0	72.0
Georgia	23.7	17.0	74.2
Kyrgyzstan	35.0	27.1	67.9
Tajikistan	60.0	41.0	65.0

Sources: National authorities; and IMF staff estimates.

At the same time, lower remittances are depressing fiscal revenues, constraining the scope for countercyclical fiscal policy and government support to poor households. The main fiscal impact of lower remittances is on indirect taxation, which in the CCA accounts for about 40 percent of total tax revenues. The decline in remittances is estimated to result in a 14 percent decline in value-added tax (VAT) revenues in 2009, mostly through lower consumption of domestic and imported goods, compounding the shortfall in other tax revenues due to the economic crisis. Indeed, government revenue is set to decline by 1 percent to 5 percent of GDP across the remittance-dependent countries in the CCA.

The international community has responded quickly by increasing its support to CCA energy importers (Table 3). Multilateral and bilateral donors have stepped up budget grants to CCA governments. The IMF has entered into new or augmented programs with all four CCA energy importers—these programs accommodate an easing of fiscal policy and are focused on protecting key social and development expenditure. Thus, assistance from the international community has substituted for remittances as a countercyclical source of external financing during this crisis.

Table 3

Support from the International Community

(Percent of GDP)

	Armenia	Georgia	Kyrgyz Republic	Tajikistan
Budget grants				
2007	0.7	0.6	2.4	1.9
2008	0.4	3.2	1.7	1.6
2009	0.5	3.0	5.6	3.1
IMF disbursements				
2007	0.1	0.4	0.1	--
2008	0.1	1.9	0.8	--
2009	4.7	1.8	1.1	0.9

Sources: National authorities; and IMF staff calculations.

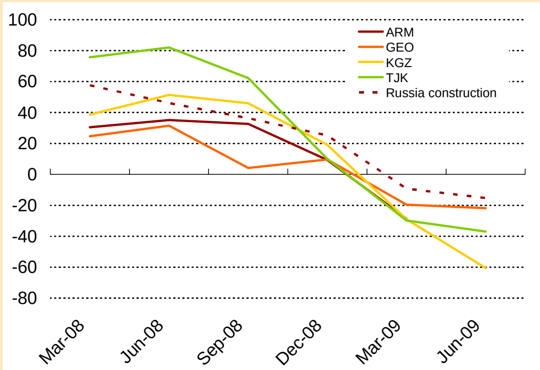
This external assistance has allowed governments to adopt a number of initiatives to support poor households, as well as the economy at large in 2009. Subsidies and transfers to households have been increased (Georgia, the Kyrgyz Republic, and Tajikistan), VAT rates have been reduced to lower the retail price of imported foodstuffs (the Kyrgyz Republic and Tajikistan), social safety nets are being revamped (Armenia, the Kyrgyz Republic), pensions have been increased (the Kyrgyz Republic) and training programs for returning migrants are being introduced (Tajikistan).

For 2010, there is a need for continued support from the international community. With remittances not projected to return to their previous levels in the near future, social spending needs will remain acute. This implies that external assistance will continue to be necessary. According to current projections, however, such support from the international community may decline in 2010.

Figure 3.2

CCA Remittance Inflows Are Declining Sharply

(Remittance inflows; percent: year-on-year)



Sources: National authorities; and IMF staff estimates.

to the crisis. In 2010, given the weak outlook for Russia, remittances are expected to stagnate, and thus, contribute little to the recovery in the CCA.

In addition, all CCA countries are being affected by weak global demand. Exports of goods and services are set to decline by an estimated 25 percent in U.S.-dollar terms in 2009 (Figure 3.3). An exception is Turkmenistan, where oil production volumes are rising. The energy and commodity exporters, of course, are more severely affected, as are countries that rely heavily on exports to Russia, such as Armenia.

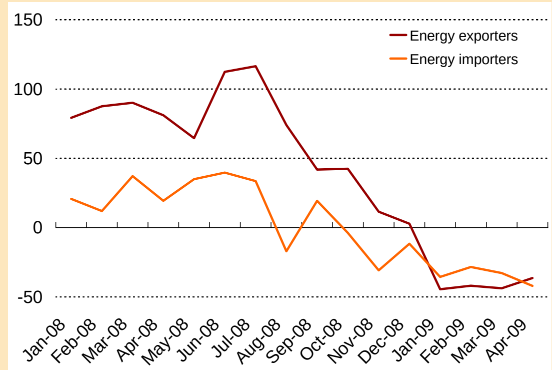
Imports of goods and services are also expected to fall—on average by 10 percent—in 2009 (Figure 3.4). Still, net external demand is a drag on growth in 2009. In 2010, exports should recover across the region, especially those of energy exporters, as global demand for fuel picks up. With imports projected to rebound only modestly, net external demand is likely to provide a growth impulse, particularly for energy exporters.

Most CCA countries are faced with deteriorating current account balances in 2009 due to falling remittances and net external demand (Figure 3.5).

Figure 3.3

Exports Have Contracted Sharply in 2009 . . .

(Exports of goods in U.S. dollars; percent: year-on-year)



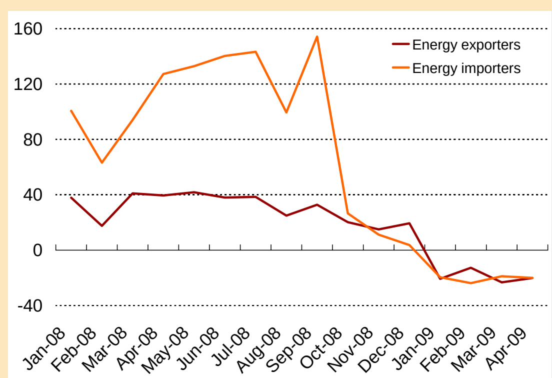
Source: IMF, *Direction of Trade Statistics.*

Current account positions are projected to remain weaker than before the crisis in 2010—except in Georgia and Turkmenistan—mainly because of declining grant inflows, and despite a recovery in exports and remittances. In the case of energy importers, current account deficits are large, suggesting the need for external adjustment in the future.

Figure 3.4

. . . but Imports Have Also Fallen

(Imports of goods in U.S. dollars; percent: year-on-year)

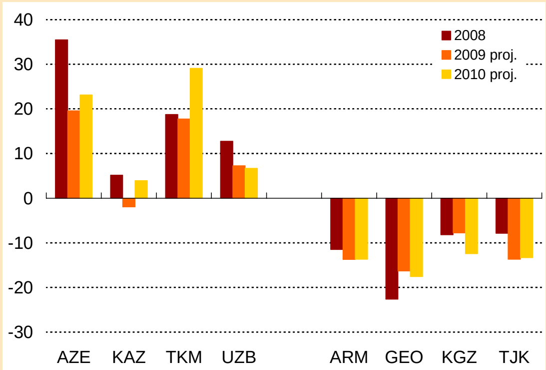


Source: IMF, *Direction of Trade Statistics.*

Figure 3.5

External Balances Are Weakening

(Current account balance; percent of GDP)



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

Responsive Macroeconomic Policies Help Region Cope

Governments and central banks have responded to the downturn with a wide range of instruments (Table 3.2). Expansionary fiscal and monetary policies have been pursued in 2009, and exchange rates in most countries (except Azerbaijan and Turkmenistan) have depreciated against the U.S. dollar.

Fiscal policy has been largely accommodative in 2009 (Figure 3.6). All CCA governments are aiming for expansionary fiscal policies, involving lower primary fiscal surpluses (energy exporters) or widening primary fiscal deficits (energy importers). Based on the methodology discussed in the appendix, automatic stabilizers are being allowed to work, and discretionary fiscal stimulus is being provided in response to the crisis.[1]

[1] Authorities in Armenia, Azerbaijan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan are providing a discretionary fiscal stimulus. In Georgia, the government followed an expansionary fiscal stance in 2008, and in Kazakhstan, quasi-fiscal measures—not captured in the estimations presented above—have been used to support the economy.

Tax revenue as a percentage of GDP is declining sharply in a number of countries, partly reflecting the impact of declining remittances on the tax base. While energy importers entered the crisis with already weak or vulnerable fiscal positions, donor support, including from Russia and China, is helping to finance social spending to alleviate the impact of the crisis (Box 3.2).

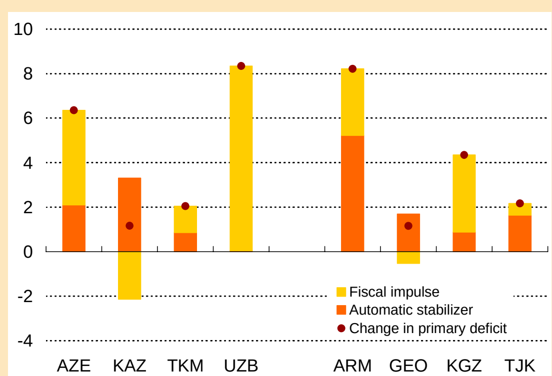
In 2010, more fiscal stimulus may be needed in some countries. Only Kazakhstan, the Kyrgyz Republic, and Turkmenistan are currently targeting additional fiscal stimulus in 2010. In other CCA countries (Armenia, Georgia, and Tajikistan), governments are facing limited fiscal space due to emerging financing constraints and already high debt levels (Figure 3.7). In these countries, where grant support is also projected to decline significantly as a percentage of GDP compared with 2009 (Figure 3.8), additional highly concessional donor financing will be needed.

With the growth slowdown and inflation falling rapidly (Figure 3.9), central banks in Armenia, Azerbaijan, Georgia, Kazakhstan, and Tajikistan have pursued monetary easing through cuts in their main policy rates and direct liquidity support to the banking sector. In some countries

Figure 3.6

Fiscal Policy Is Expansionary

(Change in the non-oil primary fiscal deficit, 2009; percent of non-oil GDP)



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

Table 3.2

CCA: Policy Responses to the Crisis

Country	Fiscal Stimulus	Exchange Rate Depreciation	Monetary Easing	Liquidity Support	Increased Provisioning	Capital Injections	Deposit Guarantees
Armenia	✓	✓	✓	✓			Enhanced
Azerbaijan	✓		✓	✓	✓	✓	✓
Georgia	✓	✓	✓	✓	✓	✓	
Kazakhstan	✓	✓	✓	✓	✓	✓	Enhanced
Kyrgyz Republic	✓	✓	✓	✓			Enhanced
Tajikistan	✓	✓	✓	✓			
Turkmenistan							
Uzbekistan	✓	✓				✓	✓

Sources: National authorities; and IMF staff assessments.

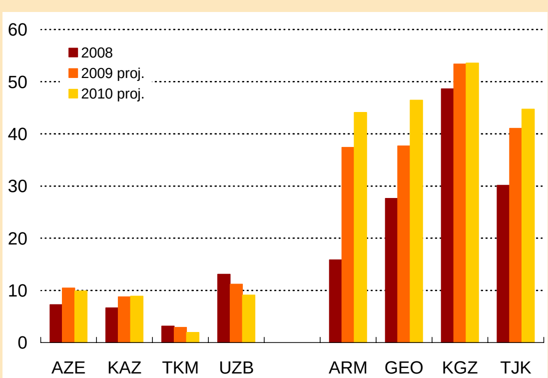
(Azerbaijan, Georgia, Kazakhstan, and Tajikistan), the authorities have also lowered reserve requirements. However, the effectiveness of monetary policy in easing credit conditions has been limited, given the small size of financial sectors in the region, as well as highly dollarized balance sheets in some countries. Concerns over pressures on the exchange rate have also constrained monetary policy, particularly during the initial phase of the crisis. Looking ahead, with international commodity prices and global interest rates poised to rise again, the scope for further easing of monetary policy may be limited.

During 2009, exchange rates in most CCA countries have depreciated against the U.S. dollar, but not against the Russian ruble (Figure 3.10). In turn, real effective exchange rates have also depreciated (Figure 3.11). The exceptions are Azerbaijan and Turkmenistan, which maintain their peg against the U.S. dollar at the precrisis level. While the depreciation has helped restore competitiveness, several countries (Armenia, Georgia, and Tajikistan) still face large current account deficits and high external financing needs that are met only through official financing, suggesting a need for greater exchange rate

Figure 3.7

Debt Levels Are Rising . . .

(Public debt; percent of GDP)

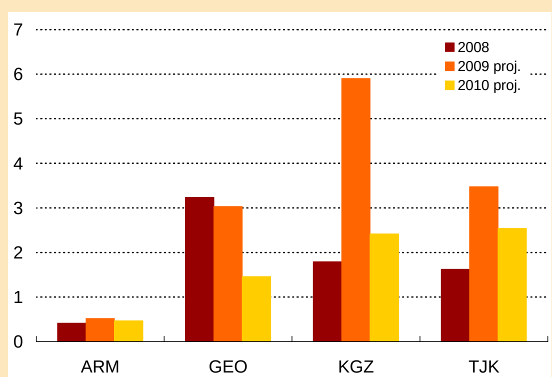


Sources: National authorities; and IMF staff estimates and projections.

Figure 3.8

. . . and Grant Support Is Declining

(Energy importers: grants; percent of GDP)

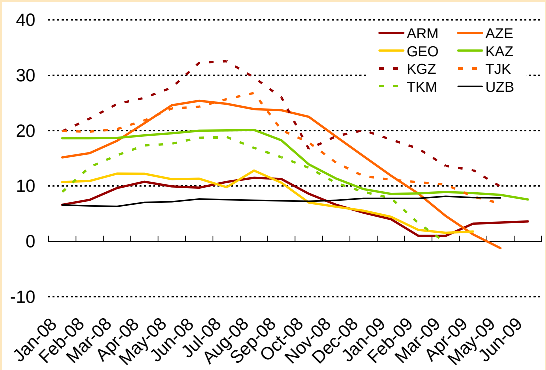


Sources: National authorities; and IMF staff estimates and projections.

Figure 3.9

Inflation Is Declining Rapidly

(Consumer price inflation; average; percent: year-on-year)

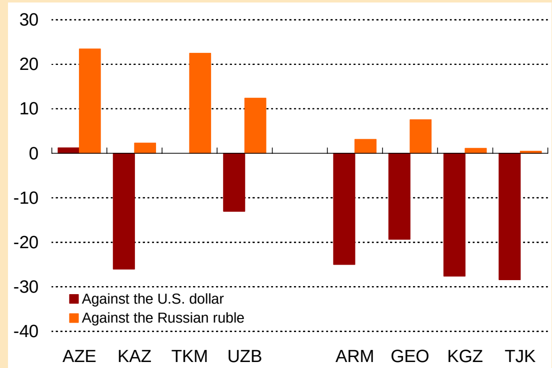


Source: IMF, Information Notice System.

Figure 3.10

Most CCA Currencies Have Depreciated Against the U.S. Dollar but Not the Russian Ruble

(Local currencies against the U.S. dollar and Russian ruble, Aug. 31, 2008–Aug. 31, 2009; upward movement indicates appreciation)



Source: DataStream.

flexibility. In some cases, balance sheet dollarization may call for a gradual approach. Where banks have sizable exposure to unhedged foreign currency borrowers, a large depreciation could undermine asset quality and add to the already high stress in financial systems.

Financial Sector Vulnerabilities Are a Key Downside Risk

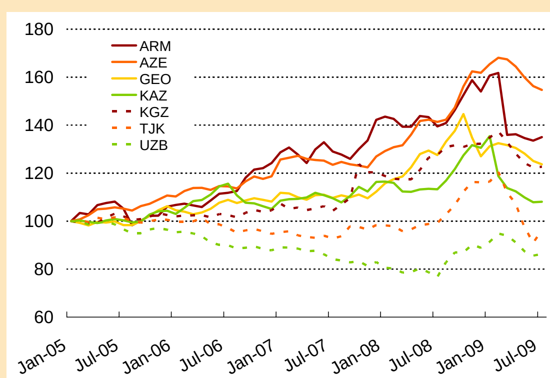
Financial sectors across the CCA are under pressure. Nonperforming loans are increasing in most countries (Figure 3.12), and capital adequacy ratios are weakening in some countries (Kazakhstan, the Kyrgyz Republic, and Tajikistan) as slower economic activity and declining remittances are affecting bank profitability and incomes. In some countries with high loan dollarization (Armenia, Georgia, Kazakhstan, and Tajikistan), the depreciation of local currencies could further erode debtors' ability to pay. Weakening asset quality is affecting private sector credit growth (Figure 3.13), and borrowing costs are rising in some countries (Figure 3.14). Loan-loss provisions are depleting capital and restricting banks' ability to extend new loans. In addition, slowing deposit growth and illiquid international funding markets (accessed mainly by Kazakhstan) are hindering credit growth.

The Kazakhstani banking sector has been particularly hard hit by its balance sheet exposure to construction, real estate, and foreign exchange lending to unhedged borrowers, as well as by the burden of maturing external liabilities. The stress in the Kazakhstani banking sector has spilled over to the Kyrgyz Republic, which is dominated by subsidiaries of Kazakhstani banks (accounting for close to 50 percent of the loan portfolio).

Figure 3.11

Losses in Competitiveness Are Reversing

(Real effective exchange rate; index, Jan. 2005 = 100; upward movement indicates appreciation)

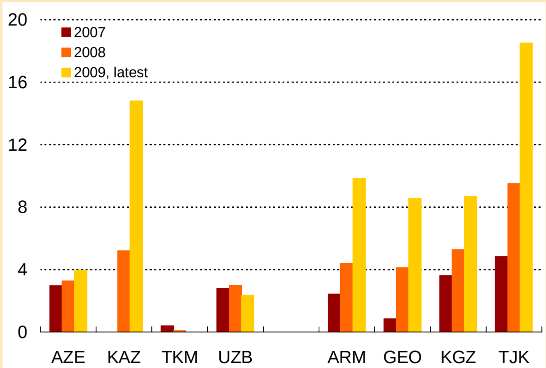


Source: IMF, Information Notice System.

Figure 3.12

Nonperforming Loans Are Rising

(Nonperforming loans; percent of total loans)[1]



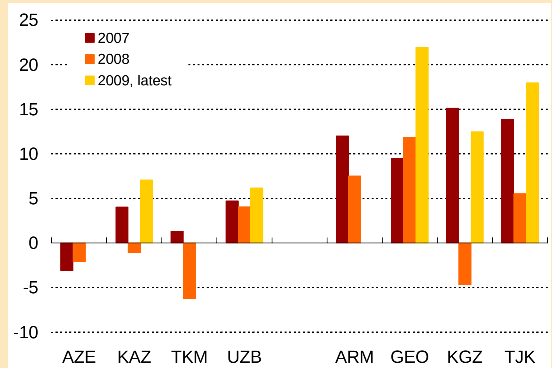
Sources: National authorities; and IMF staff estimates.

[1] Cross-country comparisons are constrained by differences in country definitions of regulatory regimes.

Figure 3.14

Rising Lending Rates Could Hold Back Investment

(Real lending rate; percent)[1]



Sources: National authorities; and IMF staff estimates.

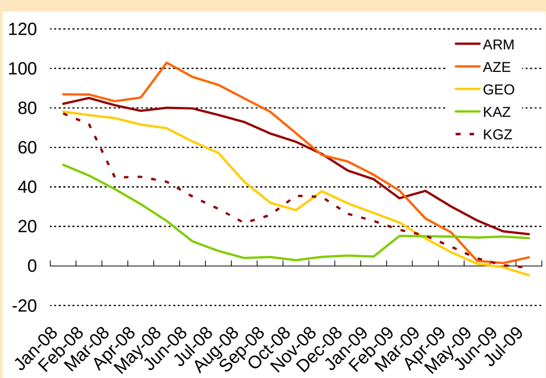
[1] Lending rate for Georgia is on loan flows for all maturities.

These vulnerabilities call for close monitoring of CCA financial systems as well as enhanced supervision and crisis preparedness. There are some indications that prudential standards, including on provisioning, are not always strictly enforced, allowing vulnerabilities to linger. Crisis preparedness frameworks could be further developed by specifying the roles and responsibilities of the central bank and ministry of finance. Efforts under way to reform existing deposit insurance systems (Tajikistan) or to fully capitalize the newly introduced deposit insurance systems (the Kyrgyz Republic) should be pushed forward to strengthen confidence in the banking sector. In Turkmenistan and Uzbekistan, directed lending is holding back the development of these countries' nascent banking systems.

Figure 3.13

Credit Growth Slows

(Credit to the private sector; percent change: year-on-year)



Source: IMF, *International Finance Statistics.*

Medium Term: Raising Potential Growth

Looking beyond the current crisis, a key question is how to raise potential growth in a region where per capita GDP levels remain low. For energy exporters, global demand will be the d*river of the oil economy and thus also determine governments' ability to develop the non-oil economy. In Turkmenistan and Uzbekistan, significant gains could be realized by further liberalizing the economy and expanding the private sector. For energy importers, rising oil prices could weigh on growth, though there will also be positive spillovers from regional energy exporters and Russia. Given the slow recovery projected in industrial countries, future growth would benefit from a diversification of exports toward dynamic emerging economies in the region (including China). Many of the energy importers, too, would benefit from further reforms to support private sector activity and strengthen the investment climate.

A second question relates to the future path of remittances. The rapid growth of remittances up to 2008 was closely correlated with developments in the Russian construction sector; for the Kyrgyz Republic, Kazakhstan's construction sector was also of importance. With subdued prospects for the Russian economy, remittances are not likely to reach their precrisis levels for a number of years. CCA economies that were heavily dependent on migrant workers must, therefore, find ways to provide returning migrants with gainful employment. While this infusion of labor could provide growth opportunities, increased investment is needed to realize this potential. In the near term, however, returning migrants are likely to add to fiscal pressures. Governments must balance the need to provide adequate social safety nets (including training) with continued public infrastructure investments that complement private sector development.

Regional cooperation can foster growth in the Central Asian economies. Historically, these economies have been tied closely together via the silk route, which brought prosperity to the region. Today, intraregional trade is well below potential; improved infrastructure could help reopen traditional trade routes, providing growth impulses across the region. Moreover, Central Asian economies would benefit from closer cooperation on energy trade and the efficient use of water resources. Upstream countries (the Kyrgyz Republic and Tajikistan) have significant hydropower potential, including for seasonal export, which should be balanced against the irrigation needs in downstream agricultural areas. Armenia's economy could benefit from an opening of its borders with Turkey.

A number of regional fora provide opportunities for deepening the economic ties within the region. The Central Asian Regional Cooperation Program (CAREC), for example, strives for "development through cooperation." Its objectives are to increase economic growth and poverty reduction, expand and diversify trade, and strengthen the capacity for regional cooperation and integration. Specifically, CAREC seeks to improve transportation networks and foster regional and global trade, including through customs modernization. In the trade policy area, CAREC assists member countries with opening up their economies, including through accession to the World Trade Organization, and reducing tariff and nontariff barriers to (regional) trade.

Appendix
Fiscal Policy: How Much Space Do Countries Have?

The ongoing global crisis has revived the discussion on the role of fiscal policy as a stabilization tool. Lately, discussions among policy makers have centered around fiscal stimulus packages and, more generally, on the use of fiscal policy in stimulating domestic demand and mitigating the adverse impact of the crisis. Indeed, many countries in the region have already implemented such countercyclical policy (see box for definition), but looking forward many of them are constrained by the lack of additional fiscal space.

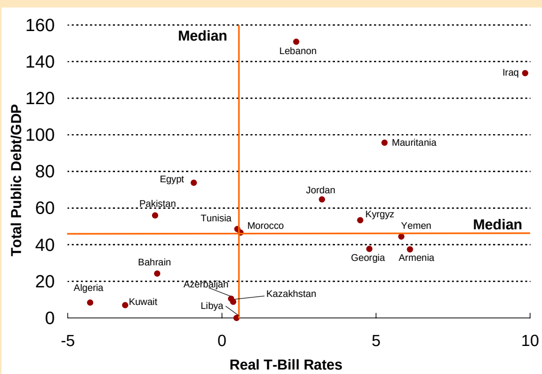
Fiscal space is defined here as "the scope for financing a deficit without undue crowding out of private activity, sharp increases in funding costs, or undermining debt sustainability."[1] There is no standard method of constructing an index of fiscal space. A simple approach is taken here by focusing on two variables: the stock of existing public debt and the level of interest rates.[2] Public debt matters because it entails debt service requirements that could limit fiscal space for pursuing countercyclical fiscal policy. In addition, interest rates on government borrowing reflect the opportunity cost of fiscal stimulus. If government borrowing is from domestic sources, higher interest rates will crowd out borrowing by the private sector. If borrowing is from external sources, higher interest rates will attract capital inflows, causing an appreciation in the real exchange rate which, in turn, reduces the country's international competitiveness.

Figures 1 and 2 present the relationship between the public debt-to-GDP ratio and real interest rates for countries in the region in 2009. Based on data availability, two alternative interest rate measures are used: t-bill rates (Figure 1) and lending rates by commercial banks (Figure 2).

Figure 1

Real T-Bill Rates and Total Public Debt/ GDP

(In percent, 2009)

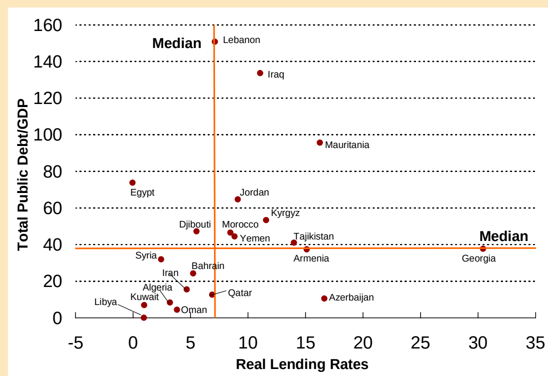


Source: IMF staff estimates and *International Financial Statistics*.

Figure 2

Real Lending Rates and Total Public Debt/ GDP

(In percent, 2009)



Source: IMF staff estimates; lending rates are from *International Financial Statistics*.

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[1] Ghosh and others (2009, p.6). "Coping with the Crisis: Policy Options for Emerging Market Countries," *IMF Staff Position Note* 09/08.

[2] Other considerations could also be important to assess fiscal space. Important macroeconomic considerations include inflation rates, the current account position, and international reserves coverage. Microeconomic considerations include the quality of spending, and the capacity to spend. There could also be institutional constraints, such as fiscal responsibility laws, which reduce the room to maneuver.

Several interesting observations emerge:

- **MENAP oil importers face relatively high interest rates and have high debt-to-GDP ratios, constraining the scope of additional fiscal stimulus.** Four out of eight countries that have interest rates and debt-to-GDP ratios above the median are MENAP oil importers. In fact, with the exception of Mauritania, these countries are projected to pursue a procyclical fiscal stance in 2010—suggesting limited fiscal space.

- **MENAP oil exporters face relatively low interest rates and have relatively low debt-to-GDP ratios, suggesting more scope for fiscal stimulus.** Seven out of the ten countries that have interest rates and debt-to-GDP ratios below the median are MENAP oil exporters. These countries have room for fiscal stimulus and could pursue expansionary fiscal policy in 2010 given that the global recovery will remain muted.

- **Several CCA countries—Armenia, Georgia, and Tajikistan—face very high interest rates, restricting fiscal space.** This is consistent with the procyclical policy stance projected for these countries in 2010.

Defining Procyclical and Countercyclical Fiscal Policy

Following standard methodology [IMF (2009)],[1] the change in the non-oil primary fiscal balance is decomposed into the change in the cyclically-adjusted non-oil primary balance (fiscal impulse) plus the change in the cyclical non-oil primary balance (automatic stabilizers).[2] The former captures discretionary fiscal actions while the latter reflects the impact on the primary balance of cyclical movements in output. For example, in a downturn, the primary balance “automatically” worsens as tax bases shrink.

Fiscal policy is defined as contractionary *when the change in the cyclically-adjusted (non-oil) primary balance is positive,* and expansionary *when the change in the cyclically-adjusted (non-oil) primary balance is negative.* Expansionary (contractionary) fiscal policy in the downward (upward) phase of the business cycle represents a countercyclical fiscal stance. Expansionary (contractionary) fiscal policy in the upward (downward) phase of the business cycle captures a procyclical fiscal stance.[3]

Computing fiscal impulses (and automatic stabilizers) requires a measure of the output gap, and estimates of the elasticities of (non-oil) revenue and primary expenditures with respect to the output gap. The output gap is computed as the deviation of actual output from potential output expressed as a percent of potential output. It is estimated by applying an H-P filter to real (non-oil) output, with a smoothing parameter $\lambda = 100$. To address the end point problem of the HP filter, the real (non-oil) output time series are used over the period 1999–2020.[4]

As is standard in studies of other developing and emerging market countries, it is assumed that the elasticities of (non-oil) revenue and primary expenditures with respect to the output gap are unity and zero, respectively, for all countries.[5]

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[1] IMF (2009), “The State of Public Finances: Outlook and Medium-Term Policies After the 2008 Crisis.”

[2] The non-oil primary balance is computed as non-oil revenue minus primary expenditures.

[3] During the upward phase of the business cycle the output gap increases, which means that the output gap becomes less negative if output is below potential and more positive if output is above potential. During the downward phase, the output gap decreases, becoming less positive if output is above potential and more negative if output is below potential.

[4] Projected growth rates for 2009–20.

[5] For countries with large energy subsidies, the assumption of zero primary expenditure elasticity might not be appropriate, since a large fraction of government spending is reduced in the downward phase of the business cycle. In this case, the assumption implies an underestimation of automatic stabilizers and an overestimation of fiscal impulses.

Statistical Appendix

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

The following statistical appendix tables contain data for 30 MCD countries. Afghanistan, Iraq, and Turkmenistan are included in the tables, but excluded from the country grouping averages in all the tables except Tables 2, 4, and 13–17. Data revisions reflect changes in methodology and/or revisions provided by country authorities.

The data relate to the calendar year, with the following exceptions: (1) for Qatar, fiscal data are on a fiscal year (April/March) basis; and (2) for Afghanistan, Egypt, Iran, and Pakistan, all macroeconomic accounts data are on a fiscal year basis. For Egypt and Pakistan, the data for each year (e.g., 2004) refer to the fiscal year (July/June) ending in June of that year (e.g., June 2004). For Afghanistan and Iran, data for each year refer to the fiscal year (March 21/March 20) starting in March of that year. Data in Table 5 relate to the calendar year for all countries, except for Iran, which shows the Islamic year.

In Tables 3, 9, and 10, "oil" includes gas, which is also an important resource in several countries.

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

- Country group composites for the growth rates of monetary aggregates and exchange rates are weighted by GDP converted to U.S. dollars at market exchange rates (both GDP and exchange rates are averaged over the preceding three years) as a share of MCD or group GDP.
- Composites for other data relating to the domestic economy (Tables 1, 3, 5, and 8–12), whether growth rates or ratios, are weighted by GDP valued at purchasing power parities (PPPs) as a share of total MCD or group GDP.
- Composites relating to the external economy (Tables 16 and 18) are sums of individual country data after conversion to U.S. dollars at the average market exchange rates in the years indicated for balance of payments data and at end-of-year market exchange rates for debt denominated in U.S. dollars.

Tables 2, 4, 13–15, and 17 are sums of the individual country data.

Table 1. Real GDP Growth

(Annual change; percent)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**5.0**	**5.8**	**5.8**	**6.0**	**4.8**	**2.2**	**4.0**
Oil exporters	**5.5**	**6.0**	**5.5**	**6.0**	**4.6**	**1.4**	**4.1**
Algeria	4.3	5.1	2.0	3.0	3.0	2.1	3.7
Bahrain	5.6	7.9	6.7	8.1	6.1	3.0	3.7
Iran	5.7	4.7	5.8	7.8	2.5	1.5	2.2
Iraq	...	-0.7	6.2	1.5	9.5	4.3	5.8
Kuwait	13.3	10.6	5.1	2.5	6.3	-1.6	3.2
Libya	3.1	10.3	6.7	7.5	3.4	1.8	5.2
Oman	3.2	4.9	6.0	7.7	7.8	4.1	3.8
Qatar	8.9	9.2	15.0	15.3	16.4	11.5	18.5
Saudi Arabia	3.7	5.6	3.2	3.3	4.4	-0.9	4.0
Sudan	6.4	6.3	11.3	10.2	6.8	4.0	5.5
United Arab Emirates	7.7	8.2	9.4	6.3	7.4	-0.2	2.4
Yemen	4.3	5.6	3.2	3.3	3.6	4.2	7.3
Oil importers	**4.2**	**5.4**	**6.3**	**5.9**	**5.0**	**3.6**	**3.8**
Afghanistan	12.0	16.1	8.2	12.1	3.4	15.7	8.6
Djibouti	2.3	3.2	4.8	5.1	5.8	5.1	5.4
Egypt	3.9	4.5	6.8	7.1	7.2	4.7	4.5
Jordan	5.6	8.1	8.0	8.9	7.9	3.0	4.0
Lebanon	4.2	2.5	0.6	7.5	8.5	7.0	4.0
Mauritania	3.3	5.4	11.4	1.0	2.2	2.3	4.7
Morocco	4.7	3.0	7.8	2.7	5.6	5.0	3.2
Pakistan	4.3	7.7	6.1	5.6	2.0	2.0	3.0
Syria	3.3	4.5	5.1	4.2	5.2	3.0	4.2
Tunisia	4.6	4.1	5.3	6.3	4.6	3.0	4.0
CCA	**9.0**	**11.2**	**12.9**	**12.0**	**6.6**	**1.5**	**5.1**
Armenia	10.6	13.9	13.2	13.7	6.8	-15.6	1.2
Azerbaijan	8.3	24.3	30.5	23.4	11.6	7.5	7.4
Georgia	5.8	9.6	9.4	12.3	2.1	-4.0	2.0
Kazakhstan	10.4	9.7	10.7	8.9	3.2	-2.0	2.0
Kyrgyz Republic	4.9	-0.2	3.1	8.5	7.6	1.5	3.0
Tajikistan	9.7	6.7	7.0	7.8	7.9	2.0	3.0
Turkmenistan	17.3	13.0	11.4	11.6	10.5	4.0	15.3
Uzbekistan	4.8	7.0	7.3	9.5	9.0	7.0	7.0
Memorandum							
GCC	**5.8**	**6.9**	**5.5**	**5.0**	**6.4**	**0.7**	**5.2**
Maghreb	**4.3**	**5.2**	**4.8**	**4.1**	**3.9**	**2.9**	**3.9**

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

Table 2. Nominal GDP

(Billions of U.S. dollars)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**917**	**1389**	**1646**	**1911**	**2413**	**2177**	**2481**
Oil exporters	**580**	**1029**	**1232**	**1431**	**1834**	**1565**	**1813**
Algeria	63.8	102.7	116.8	135.3	159.7	134.8	154.8
Bahrain	9.1	13.5	15.8	18.4	21.2	19.4	21.6
Iran	124.7	188.0	222.1	285.9	335.2	331.8	358.9
Iraq	...	31.4	49.3	62.4	91.5	70.1	83.6
Kuwait	43.6	80.8	101.6	111.8	158.1	114.9	135.4
Libya	31.1	44.0	56.5	71.7	89.9	60.6	74.7
Oman	21.0	30.9	36.8	41.6	59.9	52.3	59.7
Qatar	22.0	42.5	56.9	71.0	102.3	92.5	128.2
Saudi Arabia	205.3	315.8	356.6	384.4	469.4	379.5	442.8
Sudan	16.0	27.4	36.4	46.5	58.0	54.3	65.0
United Arab Emirates	82.2	135.2	164.2	180.2	262.1	228.6	256.2
Yemen	11.2	16.7	19.1	21.7	26.9	26.2	32.0
Oil importers	**291**	**360**	**414**	**480**	**578**	**612**	**668**
Afghanistan	4.6	6.5	7.7	9.7	11.7	13.3	15.4
Djibouti	0.6	0.7	0.8	0.8	1.0	1.1	1.2
Egypt	88.4	89.8	107.4	130.3	162.6	188.0	208.5
Jordan	9.7	12.6	14.8	17.0	21.2	22.6	24.4
Lebanon	18.8	21.9	22.4	25.0	29.3	32.7	35.2
Mauritania	1.2	1.9	2.7	2.8	3.2	3.2	3.4
Morocco	44.4	59.5	65.6	75.2	88.9	90.8	98.3
Pakistan	80.1	109.6	127.5	143.2	164.6	166.5	178.7
Syria	22.0	28.6	33.5	40.6	55.0	54.4	61.3
Tunisia	22.7	29.1	31.1	35.6	40.8	39.6	42.0
CCA	**65**	**118**	**160**	**211**	**264**	**227**	**260**
Armenia	2.6	4.9	6.4	9.2	11.9	8.7	8.2
Azerbaijan	6.6	13.2	21.0	31.3	46.4	42.5	51.9
Georgia	3.8	6.4	7.8	10.2	12.9	11.0	10.8
Kazakhstan	27.8	57.1	81.0	104.8	135.6	107.0	120.7
Kyrgyz Republic	1.7	2.5	2.8	3.8	5.0	4.7	4.8
Tajikistan	1.4	2.3	2.8	3.7	5.1	4.6	4.8
Turkmenistan	9.3	17.2	21.4	26.0	19.0	18.7	24.9
Uzbekistan	11.4	14.3	17.0	22.3	27.9	30.3	34.2
Memorandum							
GCC	**383**	**619**	**732**	**807**	**1073**	**887**	**1044**
Maghreb	**163**	**237**	**273**	**321**	**382**	**329**	**373**

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

Table 3. Oil and Non-Oil Real GDP Growth

(Annual change; percent)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
				Non-oil GDP			
Oil exporters	**5.7**	**6.7**	**7.1**	**7.7**	**5.4**	**3.2**	**3.9**
Algeria	4.8	4.7	5.6	6.3	6.1	5.7	5.5
Bahrain	7.1	11.6	8.1	9.2	6.9	3.5	4.2
Iran	6.0	5.3	6.2	8.6	3.0	2.0	2.4
Iraq	...	12.0	7.5	-2.0	5.4	4.0	4.5
Kuwait	11.6	10.0	7.0	6.3	7.9	1.2	4.1
Libya	0.2	15.8	10.7	14.8	8.0	6.0	7.0
Oman	7.6	7.3	11.3	12.6	8.0	3.4	4.2
Qatar	9.4	13.1	19.9	14.5	14.5	9.0	9.1
Saudi Arabia	3.7	5.2	5.1	4.6	4.3	3.3	4.2
Sudan	4.7	7.0	9.7	7.5	8.5	4.1	3.9
Syria	6.6	7.5	6.9	5.8	6.0	3.5	5.8
United Arab Emirates	9.2	10.8	10.4	9.1	8.6	1.1	2.5
Yemen	4.9	6.5	4.7	5.3	4.8	4.1	4.4
Memorandum							
GCC	**5.7**	**7.5**	**7.7**	**7.0**	**6.6**	**3.2**	**4.4**
				Oil GDP			
Oil exporters	**6.2**	**3.3**	**2.3**	**1.9**	**1.5**	**-3.5**	**4.4**
Algeria	3.8	5.8	-2.5	-0.9	-0.9	-2.1	0.1
Bahrain	0.5	-8.8	-1.0	1.1	1.2	0.1	0.1
Iran	3.5	-0.4	2.7	1.7	-2.0	-3.2	0.0
Iraq	...	-8.1	5.3	4.0	12.3	4.6	6.7
Kuwait	17.1	11.4	2.9	-2.3	4.2	-5.4	2.0
Libya	5.3	7.2	4.3	2.8	0.0	-1.5	3.7
Oman	-2.0	1.1	-3.0	-1.8	7.2	5.5	2.8
Qatar	8.6	6.0	10.7	16.2	18.2	13.7	26.9
Saudi Arabia	3.9	6.2	-0.8	0.5	4.8	-10.3	3.6
Sudan	59.7	-0.2	26.5	33.0	-4.4	3.0	18.0
Syria	-6.4	-8.6	-4.1	-5.0	-0.1	-0.1	-7.1
United Arab Emirates	4.4	1.6	6.5	-1.6	3.6	-4.5	1.8
Yemen	1.1	-0.8	-8.3	-13.1	-8.1	5.8	40.5
Memorandum							
GCC	**5.4**	**5.5**	**1.6**	**0.9**	**5.8**	**-5.2**	**5.5**

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

Table 4. Crude Oil Production and Exports

(Millions of barrels per day)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
				Production			
Oil exporters	**21.8**	**26.1**	**26.4**	**26.1**	**26.9**	**25.7**	**26.4**
Algeria	1.0	1.4	1.4	1.4	1.4	1.3	1.3
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Iran	3.6	4.0	4.0	4.1	4.0	3.9	3.9
Iraq	...	1.9	2.0	2.0	2.3	2.4	2.6
Kuwait	2.0	2.6	2.6	2.6	2.7	2.5	2.6
Libya	1.4	1.7	1.8	1.8	1.8	1.8	1.9
Oman	0.9	0.8	0.7	0.7	0.8	0.8	0.8
Qatar	0.7	0.8	0.8	0.8	0.9	0.8	0.9
Saudi Arabia	8.1	9.4	9.2	8.8	9.3	8.3	8.6
Sudan	0.2	0.3	0.4	0.5	0.5	0.5	0.6
Syria	0.5	0.4	0.4	0.4	0.4	0.4	0.3
United Arab Emirates	2.2	2.4	2.6	2.5	2.6	2.5	2.5
Yemen	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Memorandum							
GCC	**13.9**	**16.0**	**16.1**	**15.7**	**16.3**	**15.1**	**15.6**
				Exports[1]			
Oil exporters	**14.9**	**15.6**	**15.8**	**15.9**	**16.6**	**15.5**	**16.2**
Algeria	0.6	1.0	0.9	0.9	0.8	0.8	0.8
Bahrain	0.2	0.2	0.1	0.1	0.1	0.2	0.2
Iran	2.3	2.4	2.4	2.5	2.4	2.2	2.2
Iraq	...	1.4	1.4	1.6	1.8	1.9	2.1
Kuwait	1.2	1.7	1.7	1.6	1.7	1.6	1.6
Libya	1.1	1.3	1.4	1.5	1.4	1.4	1.4
Oman	0.8	0.7	0.6	0.6	0.6	0.6	0.6
Qatar	0.7	0.7	0.7	0.8	0.8	0.7	0.8
Saudi Arabia	6.2	7.2	7.0	7.0	7.3	6.5	6.7
Sudan	0.2	0.2	0.2	0.4	0.4	0.4	0.5
Syria	0.3	0.2	0.2	0.2	0.1	0.1	0.1
United Arab Emirates	2.0	2.2	2.4	2.3	2.4	2.3	2.4
Yemen	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Memorandum							
GCC	**11.1**	**12.6**	**12.7**	**12.4**	**13.0**	**11.9**	**12.3**

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

[1]Excluding exports of refined oil products.

Table 5. Consumer Price Inflation

(Year average; percent)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**5.0**	**6.2**	**6.9**	**8.9**	**15.6**	**7.0**	**6.6**
Oil exporters	**5.8**	**6.5**	**6.8**	**9.9**	**15.4**	**5.3**	**6.2**
Algeria	2.4	1.6	2.5	3.6	4.5	4.6	3.4
Bahrain	-1.8	2.6	2.0	3.3	3.5	3.0	2.5
Iran	14.2	10.4	11.9	18.4	25.4	12.0	10.0
Iraq	16.4	37.0	53.2	30.8	2.7	6.9	6.0
Kuwait	1.2	4.1	3.1	5.5	10.5	4.6	4.4
Libya	-4.5	2.9	1.4	6.2	10.4	5.0	4.5
Oman	-0.3	1.9	3.4	5.9	12.6	3.3	3.0
Qatar	2.5	8.8	11.8	13.8	15.0	0.0	4.0
Saudi Arabia	-0.2	0.6	2.3	4.1	9.9	4.5	4.0
Sudan	7.5	8.5	7.2	8.0	14.3	11.0	9.0
United Arab Emirates	3.0	6.2	9.3	11.1	12.3	2.5	3.3
Yemen	11.9	9.9	10.8	7.9	19.0	8.4	8.9
Oil importers	**3.6**	**5.7**	**7.1**	**6.9**	**15.9**	**10.1**	**7.2**
Afghanistan	9.5	12.7	7.2	8.6	30.5	-7.6	6.2
Djibouti	1.8	3.1	3.5	5.0	12.0	5.5	5.0
Egypt	4.7	4.9	7.6	9.5	18.3	12.3	8.2
Jordan	1.9	3.5	6.3	5.4	14.9	0.2	4.0
Lebanon	0.8	-0.7	5.6	4.1	10.8	2.5	3.5
Mauritania	7.1	12.1	6.2	7.3	7.3	4.9	5.8
Morocco	1.6	1.0	3.3	2.0	3.9	2.8	2.8
Pakistan	4.2	9.1	7.9	7.6	20.3	13.9	9.4
Syria	1.8	7.2	10.4	4.7	15.2	7.5	6.0
Tunisia	2.7	2.0	4.5	3.1	5.0	3.5	3.4
CCA	**9.9**	**8.1**	**9.2**	**11.4**	**16.5**	**6.5**	**6.4**
Armenia	3.0	0.6	2.9	4.4	9.0	3.0	3.2
Azerbaijan	3.0	9.7	8.4	16.6	20.8	2.2	5.3
Georgia	5.0	8.3	9.2	9.2	10.0	1.2	3.0
Kazakhstan	8.2	7.6	8.6	10.8	17.2	7.5	6.6
Kyrgyz Republic	7.0	4.3	5.6	10.2	24.5	8.0	6.7
Tajikistan	21.4	7.3	10.0	13.2	20.4	8.0	10.9
Turkmenistan	8.0	10.7	8.2	6.3	14.5	0.4	3.5
Uzbekistan	19.5	10.0	14.2	12.3	12.7	12.5	9.5
Memorandum							
GCC	**0.6**	**2.6**	**4.3**	**6.3**	**10.8**	**3.7**	**3.8**
Maghreb	**1.2**	**1.8**	**2.9**	**3.6**	**5.4**	**4.1**	**3.5**

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

Table 6. Broad Money Growth

(Annual change; percent)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**14.9**	**19.4**	**21.7**	**24.2**	**18.7**	**10.6**	**10.6**
Oil exporters	**16.0**	**21.6**	**24.9**	**27.1**	**20.0**	**11.0**	**10.4**
Algeria	15.4	11.7	18.6	24.2	16.0	12.9	10.2
Bahrain	8.1	22.0	14.9	40.8	18.4	2.7	12.3
Iran	30.1	33.6	39.2	28.6	16.3	17.0	12.4
Iraq	...	...	34.6	37.3	35.4	12.3	15.2
Kuwait	8.8	12.3	21.7	19.3	15.6	13.3	7.9
Libya	7.0	10.6	16.0	40.1	47.8	16.0	18.0
Oman	5.4	21.4	24.9	37.2	23.1	8.8	7.3
Qatar	15.5	44.6	38.0	39.5	19.7	8.8	15.0
Saudi Arabia	10.6	11.6	19.3	19.6	17.6	8.4	8.8
Sudan	30.0	44.7	27.4	10.3	16.3	20.0	18.0
United Arab Emirates	17.1	33.8	23.2	41.7	27.3	3.5	6.1
Yemen	20.7	13.7	27.7	16.8	13.7	9.4	15.0
Oil importers	**12.7**	**14.4**	**13.6**	**16.2**	**14.8**	**9.3**	**11.1**
Afghanistan	34.3	18.0	22.3	14.4	64.9	-5.2	22.7
Djibouti	11.2	11.3	10.2	9.6	20.6	7.7	9.1
Egypt	13.2	13.6	13.5	17.1	16.8	8.9	12.2
Jordan	9.4	17.0	14.1	10.6	17.3	5.7	8.2
Lebanon[1]	10.2	3.5	6.4	10.9	15.5	15.0	10.0
Mauritania	23.3	14.6	15.7	18.9	13.9	1.9	9.0
Morocco	9.1	14.0	17.2	16.1	10.9	6.6	6.0
Pakistan	14.3	19.3	14.9	19.3	15.3	9.6	13.0
Syria	17.8	11.8	9.2	12.4	12.5	11.6	12.5
Tunisia	9.3	11.0	11.4	12.5	14.4	10.9	10.6
CCA	**38.0**	**30.1**	**65.3**	**43.5**	**36.4**	**11.0**	**19.8**
Armenia	21.9	27.8	32.9	42.3	2.4	13.0	12.5
Azerbaijan	30.1	22.1	86.4	72.4	44.0	5.0	15.0
Georgia	28.2	26.4	39.3	49.6	7.0	-2.0	15.0
Kazakhstan	43.6	26.3	78.1	25.9	35.4	13.9	25.6
Kyrgyz Republic	24.6	9.9	51.6	33.3	12.6	7.8	12.0
Tajikistan	51.6	30.2	63.4	78.8	6.3	10.9	20.5
Turkmenistan	33.3	27.9	55.9	72.2	62.8	-4.4	8.1
Uzbekistan	40.5	55.5	37.8	46.9	35.6	27.0	17.1
Memorandum							
GCC	**11.6**	**19.3**	**21.8**	**27.2**	**20.0**	**7.9**	**8.6**
Maghreb	**10.9**	**12.1**	**16.8**	**23.6**	**21.2**	**11.8**	**10.9**

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

[1]Broad money is defined to include non-resident deposits (M5).

Table 7. Central Government Fiscal Balance

(Percent of GDP)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**0.9**	**6.2**	**6.6**	**4.9**	**7.3**	**-0.8**	**1.2**
Oil exporters	**3.9**	**12.3**	**12.8**	**10.0**	**14.2**	**2.0**	**5.2**
Algeria	5.6	11.9	13.6	4.5	11.4	-8.2	-2.5
Bahrain	4.0	7.6	4.7	3.2	8.0	-4.7	-0.7
Iran	2.1	1.7	0.0	2.7	-1.1	0.8	0.5
Iraq[1]	...	6.5	14.2	8.8	1.5	-25.4	-8.8
Kuwait	23.8	42.9	35.4	40.2	26.9	24.4	24.4
Libya	9.2	29.4	31.4	25.5	24.6	10.6	16.3
Oman	7.6	12.1	13.8	11.2	22.6	4.1	8.3
Qatar	8.6	9.7	9.1	12.8	12.2	9.0	13.0
Saudi Arabia	0.9	18.4	21.0	12.3	33.0	1.2	6.7
Sudan	-0.3	-2.4	-4.3	-5.4	-1.4	-3.8	-3.0
United Arab Emirates[2]	3.5	20.0	28.4	25.2	21.7	4.0	12.7
Yemen[1]	0.4	-1.8	1.2	-7.2	-4.5	-7.0	-5.2
Oil importers	**-4.6**	**-5.4**	**-5.1**	**-4.9**	**-5.8**	**-5.8**	**-5.9**
Afghanistan	-1.5	1.0	-2.9	-1.8	-3.7	-2.1	-1.6
Djibouti	-2.2	0.2	-2.5	-2.6	1.3	-1.8	-1.7
Egypt[1]	-6.0	-8.4	-9.2	-7.5	-7.8	-7.8	-9.1
Jordan	-2.8	-5.0	-3.6	-5.8	-5.7	-6.5	-6.1
Lebanon	-17.0	-8.4	-10.4	-10.8	-9.8	-10.6	-10.1
Mauritania[3]	-7.2	-7.1	35.9	-1.8	-7.5	-1.7	-1.4
Morocco	-4.5	-4.8	-1.4	0.6	1.8	-2.3	-2.2
Pakistan[1]	-2.9	-3.0	-3.7	-4.0	-7.3	-4.9	-4.2
Syria[1]	-1.6	-4.5	-1.2	-3.0	-3.2	-4.6	-3.6
Tunisia	-3.2	-3.0	-2.9	-2.8	-0.8	-3.6	-3.6
CCA	**0.1**	**2.9**	**4.2**	**3.1**	**6.2**	**0.4**	**3.6**
Armenia	-2.7	-2.0	-2.1	-2.2	-1.3	-7.5	-5.9
Azerbaijan	-0.2	2.6	-0.2	2.8	20.8	6.3	14.9
Georgia[1]	-1.0	-1.6	-3.0	-4.7	-6.3	-9.4	-7.3
Kazakhstan[1]	1.7	5.8	7.2	4.7	1.1	-1.9	-0.4
Kyrgyz Republic[1]	-6.0	-3.6	-2.1	-0.3	0.0	-3.8	-6.3
Tajikistan	-3.1	-2.9	1.7	-6.2	-6.1	-6.7	-6.4
Turkmenistan[1]	1.1	0.8	5.3	3.9	11.3	9.3	9.4
Uzbekistan[1]	-1.0	1.2	5.2	5.1	10.5	2.0	5.3
Memorandum							
GCC	**5.0**	**20.6**	**22.4**	**17.6**	**27.4**	**5.3**	**10.4**
Maghreb	**2.2**	**8.1**	**10.5**	**5.8**	**9.1**	**-3.0**	**0.4**

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

[1]General government.

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

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

Table 8. Central Government Total Revenue, Excluding Grants

(Percent of GDP)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**28.6**	**34.0**	**35.3**	**34.3**	**36.1**	**30.6**	**30.9**
Oil exporters	**32.6**	**41.2**	**42.3**	**40.7**	**43.2**	**35.5**	**36.7**
Algeria	36.3	40.9	43.0	39.6	47.0	36.7	37.9
Bahrain	31.6	32.2	30.4	28.9	33.4	25.5	28.4
Iran	23.1	30.3	29.9	30.9	25.1	26.1	26.6
Iraq[1]	...	79.4	68.2	71.5	78.6	64.6	65.1
Kuwait	62.2	71.1	67.3	71.0	60.0	63.6	57.3
Libya	45.7	62.9	62.4	60.8	64.0	65.8	64.5
Oman	46.5	48.0	48.8	46.7	50.7	37.3	39.7
Qatar	39.9	42.5	41.5	45.6	37.9	38.8	38.4
Saudi Arabia	35.3	48.0	50.8	44.7	62.6	41.2	44.3
Sudan	13.9	23.0	20.5	20.0	21.3	14.7	17.0
United Arab Emirates[2]	34.2	41.0	49.6	50.4	46.9	34.2	37.8
Yemen[1]	32.4	34.5	38.2	32.8	36.5	26.2	26.9
Oil importers	**21.3**	**20.6**	**22.3**	**22.4**	**22.7**	**21.7**	**20.4**
Afghanistan	4.3	6.4	7.5	6.9	6.9	7.7	8.2
Djibouti	25.5	30.9	31.1	30.2	28.8	28.8	28.1
Egypt[1]	26.0	24.3	28.2	27.2	27.6	26.6	22.7
Jordan	25.0	28.2	29.7	29.7	26.4	26.2	26.2
Lebanon	20.5	22.5	22.1	23.0	23.5	25.8	23.8
Mauritania[3]	26.7	24.5	29.5	25.6	25.3	25.3	25.5
Morocco	22.4	23.5	25.1	27.4	29.5	25.1	25.0
Pakistan[1]	13.9	13.8	14.1	15.0	14.6	14.1	14.4
Syria[1]	28.0	24.0	25.5	22.7	20.9	21.6	21.5
Tunisia	24.0	23.6	23.4	23.8	26.2	23.8	23.3
CCA	**24.6**	**26.4**	**27.3**	**28.6**	**33.6**	**31.3**	**33.1**
Armenia	15.2	17.4	17.5	19.3	19.6	20.0	20.5
Azerbaijan	24.0	25.0	28.0	29.9	52.1	46.2	51.4
Georgia[1, 4]	17.1	23.5	25.5	28.7	27.5	26.6	25.4
Kazakhstan[1]	23.9	28.1	27.5	28.8	27.8	25.2	26.6
Kyrgyz Republic[1]	20.6	23.7	25.6	28.1	28.5	22.8	23.8
Tajikistan	15.9	19.3	18.9	20.5	20.5	17.5	17.5
Turkmenistan[1]	21.4	20.5	20.2	17.3	23.6	25.0	23.9
Uzbekistan[1]	33.7	30.4	34.1	35.4	41.5	39.6	40.2
Memorandum							
GCC	**39.3**	**49.1**	**51.5**	**48.7**	**56.1**	**41.9**	**43.5**
Maghreb	**32.4**	**37.3**	**38.5**	**37.5**	**41.9**	**36.3**	**36.6**

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

[1]General government.

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

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

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

Table 9. Oil Exporters: Central Government Non-Oil Fiscal Balance

(Percent of non-oil GDP)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
Oil exporters	**-32.5**	**-38.5**	**-39.5**	**-40.9**	**-43.4**	**-40.4**	**-39.8**
Algeria	-30.9	-34.7	-36.0	-45.6	-47.2	-48.3	-44.2
Bahrain	-29.1	-28.7	-28.5	-28.7	-33.9	-34.2	-33.8
Iran	-17.1	-28.0	-28.2	-26.2	-22.5	-16.7	-18.5
Iraq[1]	...	-143.5	-88.1	-114.3	-170.8	-145.7	-125.1
Kuwait	-40.5	-15.9	-30.3	-30.4	-55.1	-54.3	-49.1
Libya	-65.2	-130.4	-135.3	-136.0	-165.8	-131.8	-124.5
Oman	-56.2	-58.5	-54.5	-47.7	-42.8	-41.2	-41.5
Qatar	-45.0	-50.3	-41.3	-33.5	-24.6	-24.7	-20.9
Saudi Arabia	-46.9	-50.9	-52.7	-59.0	-60.8	-64.4	-65.4
Sudan	-7.7	-18.8	-18.5	-20.9	-20.1	-12.1	-13.7
United Arab Emirates[2]	-30.4	-17.0	-15.0	-15.2	-28.4	-31.2	-25.6
Yemen[1]	-33.7	-43.6	-42.6	-43.1	-46.3	-29.5	-31.2
Memorandum							
GCC	**-43.9**	**-41.0**	**-42.4**	**-44.7**	**-49.8**	**-51.7**	**-49.9**

Sources: National 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 10. Oil Exporters: Central Government Non-Oil Revenue

(Percent of non-oil GDP)

	Average 2000–04	2005	2006	Est. 2007	Proj. 2008	Proj. 2009	Proj. 2010
Oil exporters	**13.3**	**15.6**	**16.6**	**17.0**	**17.0**	**15.7**	**16.0**
Algeria	17.0	17.4	18.4	17.1	18.1	18.1	18.2
Bahrain	11.4	9.7	9.0	7.1	6.5	5.3	5.4
Iran	9.5	11.7	12.4	12.5	11.9	14.5	14.0
Iraq[1]	...	7.3	6.3	9.2	14.7	9.8	9.2
Kuwait	31.8	48.3	47.0	41.2	29.9	21.2	20.0
Libya	20.8	20.0	25.2	29.3	33.5	41.0	40.1
Oman	14.2	12.8	12.8	17.5	15.5	11.3	11.4
Qatar	29.5	30.9	34.6	41.8	42.4	39.9	46.2
Saudi Arabia	10.8	11.2	12.1	12.3	16.9	10.4	10.1
Sudan	7.9	11.2	11.3	10.3	9.0	8.7	10.1
United Arab Emirates[2]	13.5	16.1	18.0	22.1	15.2	11.9	12.3
Yemen[1]	13.1	12.8	14.3	14.8	12.4	12.4	14.5
Memorandum							
GCC	**15.1**	**18.1**	**19.1**	**20.0**	**20.0**	**14.7**	**15.5**

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

[1]General government.

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

Table 11. Central Government Total Expenditure and Net Lending

(Percent of GDP)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**28.1**	**28.1**	**29.0**	**29.7**	**29.0**	**31.6**	**29.9**
Oil exporters	**28.7**	**28.9**	**29.5**	**30.8**	**29.0**	**33.6**	**31.6**
Algeria[1]	30.8	29.0	29.4	35.1	35.6	45.0	40.4
Bahrain	28.4	25.5	26.1	26.2	25.7	30.7	29.6
Iran	21.0	28.6	29.8	28.3	26.2	25.3	26.1
Iraq[2]	...	100.8	66.5	66.4	78.2	90.4	74.2
Kuwait	38.3	28.3	31.9	30.8	33.1	39.2	32.9
Libya	36.5	33.5	31.0	35.3	39.3	55.2	48.2
Oman	38.9	35.2	34.8	37.6	28.1	33.1	31.4
Qatar	31.3	32.8	32.4	32.8	25.7	29.8	25.4
Saudi Arabia	34.4	29.6	29.8	32.4	29.6	40.0	37.6
Sudan	14.1	25.4	25.2	26.0	23.2	18.8	20.6
United Arab Emirates[3]	30.7	21.0	21.2	25.2	25.1	30.2	25.1
Yemen[2]	32.5	36.8	37.4	40.3	41.2	34.6	32.6
Oil importers	**26.9**	**26.5**	**28.2**	**27.7**	**29.0**	**28.1**	**26.9**
Afghanistan	12.8	16.6	19.6	19.9	19.4	21.8	20.7
Djibouti	33.7	36.9	37.4	37.7	40.6	37.9	35.4
Egypt[2]	32.8	33.2	37.8	35.3	35.5	35.2	32.5
Jordan	35.0	38.2	36.4	38.3	36.9	35.5	34.8
Lebanon	37.7	30.9	35.5	35.3	34.2	36.7	34.2
Mauritania	37.6	33.7	28.5	29.7	33.2	29.4	30.0
Morocco[4]	27.1	28.7	26.9	27.2	29.1	27.9	27.6
Pakistan[2]	18.1	17.2	18.4	19.3	22.2	19.3	19.3
Syria[2]	29.6	28.5	26.6	25.7	24.2	26.2	25.2
Tunisia	27.4	26.8	26.5	26.7	27.3	27.5	27.1
CCA	**24.8**	**23.8**	**23.3**	**25.8**	**27.7**	**31.5**	**29.9**
Armenia	19.8	20.5	20.6	23.2	22.5	31.5	28.5
Azerbaijan[5]	24.3	22.7	27.4	27.4	31.1	39.9	36.4
Georgia[2]	18.7	26.0	29.7	34.0	37.0	39.1	34.2
Kazakhstan[2]	22.2	22.3	20.2	24.2	26.8	27.0	27.0
Kyrgyz Republic[2]	27.6	28.1	28.9	31.0	29.6	32.6	32.6
Tajikistan[2]	19.2	23.0	21.9	28.6	28.2	29.5	28.8
Turkmenistan[2]	20.3	19.7	14.9	13.4	12.3	15.7	14.5
Uzbekistan[2]	35.5	29.5	29.2	30.5	31.2	37.7	35.0
Memorandum							
GCC	**34.3**	**28.5**	**29.1**	**31.2**	**28.8**	**36.6**	**33.1**
Maghreb	**30.3**	**29.4**	**28.6**	**31.9**	**33.3**	**39.4**	**36.3**

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

[1]Including special accounts.

[2]General government.

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

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

[5]Expenditures do not include statistical discrepancy.

Table 12. Total Government Debt

(Percent of GDP)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**62.9**	**46.7**	**40.9**	**35.8**	**31.9**	**32.3**	**31.0**
Oil exporters	**48.0**	**27.0**	**22.4**	**17.9**	**14.4**	**15.9**	**14.3**
Algeria	53.4	16.0	23.8	12.5	7.2	8.4	8.2
Bahrain	32.5	28.7	23.6	19.3	15.2	24.2	24.9
Iran	23.4	23.7	19.7	17.9	15.5	15.5	13.9
Iraq[1]	...	361.3	205.8	169.8	108.3	133.7	41.4
Kuwait	27.9	11.8	8.3	6.9	5.3	6.9	5.9
Libya	27.8	1.0	0.9	0.0	0.0	0.0	0.0
Oman	20.0	9.6	8.8	6.1	4.3	4.4	3.4
Qatar	46.1	19.3	13.2	9.4	8.4	12.6	9.4
Saudi Arabia	85.0	38.9	27.3	18.5	13.4	14.5	12.5
Sudan	153.6	106.7	89.3	82.3	69.7	81.3	74.1
United Arab Emirates[2]	5.7	9.2	10.0	11.2	8.9	10.2	9.4
Yemen[1]	57.7	43.8	40.8	40.4	36.4	44.5	40.9
Oil importers	**90.1**	**84.0**	**75.6**	**69.3**	**65.0**	**63.0**	**62.1**
Afghanistan	...	...	...	...	...	...	...
Djibouti	68.2	67.6	63.3	58.2	49.8	47.3	44.7
Egypt[1]	97.4	112.8	98.8	87.1	76.5	73.8	73.9
Jordan	97.6	84.0	77.4	74.2	62.3	64.7	65.4
Lebanon	162.8	176.0	179.9	167.8	160.2	150.8	134.6
Mauritania[3]	227.7	208.6	110.5	112.6	93.7	95.7	94.0
Morocco	65.9	63.1	58.1	53.5	47.3	46.6	46.0
Pakistan[1]	78.5	62.0	56.4	54.6	58.4	55.9	56.9
Syria[1]	121.4	56.1	50.7	40.5	30.1	32.0	31.9
Tunisia[1]	61.0	58.1	53.7	50.0	47.5	48.6	48.8
CCA	**33.1**	**17.9**	**13.9**	**11.4**	**11.0**	**13.8**	**13.9**
Armenia	44.0	24.4	18.7	16.1	15.9	37.4	44.1
Azerbaijan	22.4	13.3	10.2	9.1	7.3	10.5	9.9
Georgia[1]	60.6	35.7	28.6	21.3	27.6	37.7	46.5
Kazakhstan[1]	17.9	8.1	6.7	5.8	6.6	8.8	8.9
Kyrgyz Republic[1]	107.3	85.9	72.5	56.8	48.6	53.4	53.6
Tajikistan	76.3	41.6	34.5	34.9	30.1	41.1	44.7
Turkmenistan[1]	22.4	5.4	3.3	2.4	3.2	2.9	1.9
Uzbekistan[1]	46.6	28.2	21.3	15.8	13.1	11.2	9.1
Memorandum							
GCC	**58.7**	**27.5**	**19.9**	**14.4**	**10.7**	**12.3**	**10.6**
Maghreb	**55.7**	**33.4**	**34.2**	**27.4**	**23.2**	**23.9**	**23.6**

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

[1]General government.

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

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

Table 13. Exports of Goods and Services

(Billions of U.S. dollars)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**373.9**	**726.3**	**877.5**	**1020.4**	**1351.6**	**972.5**	**1156.5**
Oil exporters	**299.5**	**614.5**	**747.1**	**867.8**	**1158.3**	**799.4**	**975.1**
Algeria	24.5	48.8	57.3	63.5	82.6	50.0	61.2
Bahrain	7.7	13.3	15.5	17.2	21.1	15.6	18.0
Iran	35.7	70.8	82.8	104.7	105.8	84.4	91.9
Iraq	...	23.5	30.3	38.7	63.5	38.0	47.6
Kuwait	23.0	51.7	66.9	73.3	99.1	66.8	82.5
Libya	15.0	31.9	40.2	48.0	63.1	38.8	49.5
Oman	12.3	19.6	22.9	26.3	39.7	28.1	33.5
Qatar	14.2	28.7	39.3	51.0	72.1	60.2	91.0
Saudi Arabia	92.9	192.3	225.6	249.6	323.7	201.6	251.6
Sudan	2.4	5.0	6.0	9.3	13.0	7.5	11.6
United Arab Emirates	64.0	122.0	152.5	178.4	264.9	201.9	228.0
Yemen	4.2	6.8	7.9	7.8	9.7	6.4	8.7
Oil importers	**74.4**	**111.8**	**130.4**	**152.6**	**193.3**	**173.1**	**181.3**
Afghanistan	1.7	1.9	1.9	2.0	2.4	2.5	2.6
Djibouti	0.2	0.3	0.3	0.3	0.4	0.5	0.6
Egypt	17.9	28.0	33.9	39.5	53.3	47.0	46.3
Jordan	4.5	6.6	8.1	9.2	12.4	11.4	12.6
Lebanon	7.9	11.3	13.7	16.0	22.6	24.1	26.1
Mauritania	0.4	0.7	1.5	1.5	1.8	1.6	1.7
Morocco	12.9	18.8	21.7	27.3	32.8	25.1	28.1
Pakistan	11.9	17.8	20.3	21.4	24.0	22.9	22.9
Syria	7.1	11.9	13.1	15.6	18.9	17.6	18.9
Tunisia	10.3	14.5	15.8	19.9	24.7	20.2	21.5
CCA	**27.5**	**54.8**	**75.6**	**100.8**	**142.7**	**103.3**	**131.5**
Armenia	0.7	1.4	1.5	1.8	1.7	1.3	1.4
Azerbaijan	2.9	8.3	14.0	22.5	32.1	22.5	30.4
Georgia	1.2	2.2	2.6	3.2	3.7	2.9	3.3
Kazakhstan	14.0	30.5	41.6	51.9	76.4	48.7	61.6
Kyrgyz Republic	0.7	1.1	1.5	2.2	3.0	2.4	2.7
Tajikistan	0.9	0.6	0.7	0.8	0.9	0.6	0.7
Turkmenistan	3.3	5.3	7.5	9.5	12.3	13.0	18.4
Uzbekistan	3.7	5.4	6.3	8.9	12.5	11.9	13.0
Memorandum							
GCC	**214.2**	**427.6**	**522.7**	**595.8**	**820.5**	**574.3**	**704.6**
Maghreb	**63.1**	**114.8**	**136.5**	**160.2**	**205.1**	**135.8**	**162.1**

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

Table 14. Imports of Goods and Services

(Billions of U.S. dollars)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**304.1**	**513.4**	**614.1**	**762.4**	**1007.0**	**935.4**	**995.9**
Oil exporters	**213.1**	**371.6**	**447.1**	**561.4**	**745.1**	**700.1**	**751.9**
Algeria	15.2	24.6	25.5	33.3	47.5	47.8	50.4
Bahrain	6.0	10.2	11.3	12.3	15.7	12.3	14.0
Iran	31.5	55.0	63.3	71.7	84.8	74.5	80.0
Iraq	...	24.9	23.7	30.2	50.0	55.4	56.7
Kuwait	14.7	22.8	25.8	31.2	35.4	33.4	36.6
Libya	7.9	13.5	15.9	20.4	25.4	26.9	29.1
Oman	8.2	11.2	13.8	19.2	26.8	21.7	23.3
Qatar	6.0	12.6	21.8	27.1	39.7	44.6	53.0
Saudi Arabia	58.5	89.1	115.3	147.1	178.8	169.3	183.9
Sudan	3.2	7.7	10.0	11.0	12.5	9.5	10.6
United Arab Emirates	53.1	93.9	112.9	148.5	217.4	196.9	205.6
Yemen	4.0	6.0	7.8	9.4	11.0	7.8	8.8
Oil importers	**91.0**	**141.8**	**167.0**	**201.0**	**261.9**	**235.3**	**244.0**
Afghanistan	4.4	6.8	7.4	8.4	9.4	9.8	9.9
Djibouti	0.3	0.4	0.5	0.6	0.8	0.7	0.9
Egypt	21.4	30.2	38.2	45.2	63.1	59.9	58.5
Jordan	6.9	11.9	13.2	15.7	19.2	17.6	18.9
Lebanon	12.2	14.9	16.7	20.6	28.1	29.4	31.0
Mauritania	0.7	1.8	0.4	1.9	2.5	2.1	2.3
Morocco	14.8	22.8	26.1	34.6	45.6	36.2	39.6
Pakistan	13.5	25.6	33.2	35.3	45.3	38.1	37.2
Syria	7.3	12.9	14.7	18.0	21.7	20.3	22.3
Tunisia	11.1	14.6	16.4	20.6	26.0	21.3	23.2
CCA	**27.4**	**48.9**	**60.8**	**82.6**	**100.2**	**88.0**	**98.2**
Armenia	1.2	2.1	2.5	3.6	4.7	3.6	3.7
Azerbaijan	3.7	7.0	8.1	9.4	11.5	12.1	15.3
Georgia	1.7	3.3	4.4	5.9	7.5	5.5	6.0
Kazakhstan	12.7	25.5	32.9	44.9	49.5	40.1	43.6
Kyrgyz Republic	0.8	1.4	2.3	3.2	4.7	3.8	4.1
Tajikistan	1.0	1.2	1.6	2.6	3.7	2.8	2.9
Turkmenistan	3.0	3.9	3.6	4.9	7.8	9.1	10.6
Uzbekistan	3.3	4.5	5.4	8.2	10.8	11.0	11.9
Memorandum							
GCC	**146.4**	**239.8**	**300.9**	**385.5**	**513.8**	**478.2**	**516.3**
Maghreb	**49.8**	**77.3**	**84.4**	**110.8**	**147.1**	**134.3**	**144.7**

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

Table 15. Current Account Balance

(Billions of U.S. dollars)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**64.6**	**219.2**	**281.2**	**281.4**	**355.8**	**24.8**	**141.6**
Oil exporters	**65.0**	**223.9**	**287.9**	**293.2**	**384.3**	**52.5**	**171.4**
Algeria	8.1	21.2	29.0	30.6	37.1	3.7	11.3
Bahrain	0.3	1.5	2.2	2.9	2.3	0.7	1.3
Iran	4.8	16.6	20.4	34.1	22.5	10.0	12.9
Iraq	...	1.9	8.0	6.3	12.2	-19.9	-12.7
Kuwait	11.0	34.3	50.6	50.0	70.6	33.7	47.8
Libya	5.8	17.1	25.2	29.1	36.6	10.1	17.9
Oman	1.6	5.2	5.7	3.4	5.5	-0.2	2.9
Qatar	5.2	14.1	16.1	21.6	28.6	10.0	32.4
Saudi Arabia	23.2	90.1	99.1	93.5	134.2	15.4	50.7
Sudan	-1.4	-3.0	-5.5	-5.8	-5.2	-6.1	-5.9
United Arab Emirates	8.0	24.3	37.1	29.0	41.1	-3.6	13.4
Yemen	0.6	0.6	0.2	-1.5	-1.2	-1.4	-0.7
Oil importers	**-0.4**	**-4.7**	**-6.7**	**-11.8**	**-28.5**	**-27.7**	**-29.8**
Afghanistan	-0.4	-0.2	-0.4	0.1	-0.2	-0.1	-0.1
Djibouti	0.0	0.0	-0.1	-0.2	-0.4	-0.2	-0.2
Egypt	1.0	2.9	1.8	2.5	0.9	-4.4	-5.9
Jordan	0.4	-2.2	-1.6	-2.9	-2.4	-2.3	-2.1
Lebanon	-3.0	-2.9	-1.2	-1.7	-3.4	-3.7	-3.7
Mauritania	-0.2	-0.9	0.0	-0.3	-0.5	-0.3	-0.6
Morocco	1.0	1.1	1.4	-0.1	-4.8	-5.0	-4.7
Pakistan	1.8	-1.5	-5.0	-6.9	-13.7	-8.6	-8.6
Syria	-0.3	-0.6	-0.9	-1.4	-2.2	-1.7	-2.7
Tunisia	-0.8	-0.3	-0.6	-0.9	-1.7	-1.5	-1.2
CCA	**-1.3**	**0.3**	**5.2**	**3.5**	**25.4**	**7.8**	**22.0**
Armenia	-0.2	-0.1	-0.1	-0.6	-1.4	-1.2	-1.1
Azerbaijan	-1.1	0.2	3.7	9.0	16.5	8.3	12.0
Georgia	-0.3	-0.7	-1.2	-2.0	-2.9	-1.8	-1.9
Kazakhstan	-0.3	-1.1	-2.0	-8.2	7.0	-2.1	4.7
Kyrgyz Republic	0.0	0.1	-0.1	0.0	-0.4	-0.4	-0.6
Tajikistan	0.0	-0.1	-0.1	-0.3	-0.4	-0.6	-0.6
Turkmenistan	0.3	0.9	3.4	4.0	3.6	3.3	7.2
Uzbekistan	0.3	1.1	1.6	1.6	3.6	2.2	2.3
Memorandum							
GCC	**49.2**	**169.5**	**210.7**	**200.4**	**282.3**	**56.0**	**148.6**
Maghreb	**13.9**	**38.2**	**54.9**	**58.4**	**66.6**	**7.0**	**22.8**

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

Table 16. Current Account Balance

(Percent of GDP)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**8.4**	**15.8**	**17.1**	**14.7**	**14.7**	**1.1**	**5.7**
Oil exporters	**11.7**	**21.8**	**23.4**	**20.5**	**20.9**	**3.4**	**9.5**
Algeria	12.7	20.6	24.8	22.6	23.2	2.7	7.3
Bahrain	3.8	11.0	13.8	15.8	10.6	3.7	6.2
Iran	4.5	8.8	9.2	11.9	6.7	3.0	3.6
Iraq	...	6.1	16.3	10.1	13.3	-28.4	-15.2
Kuwait	24.8	42.5	49.8	44.7	44.7	29.4	35.3
Libya	17.3	38.9	44.6	40.7	40.7	16.7	24.0
Oman	7.7	16.8	15.4	8.3	9.1	-0.5	4.8
Qatar	24.0	33.2	28.3	30.4	28.0	10.8	25.3
Saudi Arabia	10.6	28.5	27.8	24.3	28.6	4.1	11.4
Sudan	-9.2	-11.1	-15.2	-12.5	-9.0	-11.2	-9.1
United Arab Emirates	9.9	18.0	22.6	16.1	15.7	-1.6	5.2
Yemen	5.6	3.8	1.1	-7.0	-4.3	-5.2	-2.3
Oil importers	**0.4**	**-1.3**	**-1.6**	**-2.5**	**-4.9**	**-4.5**	**-4.5**
Afghanistan	-8.5	-2.5	-4.9	0.9	-1.6	-0.9	-0.9
Djibouti	-2.3	-3.2	-14.7	-25.6	-39.2	-17.1	-17.5
Egypt	1.2	3.2	1.6	1.9	0.5	-2.4	-2.8
Jordan	3.9	-17.4	-10.8	-17.2	-11.3	-10.0	-8.8
Lebanon	-15.9	-13.4	-5.3	-6.8	-11.6	-11.3	-10.5
Mauritania	-13.2	-47.2	-1.3	-11.4	-15.7	-9.0	-16.2
Morocco	2.3	1.8	2.2	-0.1	-5.4	-5.5	-4.7
Pakistan	2.2	-1.4	-3.9	-4.8	-8.3	-5.1	-4.8
Syria	-1.2	-2.2	-2.8	-3.3	-4.0	-3.2	-4.3
Tunisia	-3.7	-1.0	-2.0	-2.5	-4.2	-3.8	-2.9
CCA	**-1.9**	**0.3**	**3.2**	**1.7**	**9.6**	**3.4**	**8.5**
Armenia	-7.5	-1.0	-1.8	-6.4	-11.5	-13.7	-13.7
Azerbaijan	-14.9	1.3	17.6	28.8	35.5	19.6	23.1
Georgia	-7.4	-11.1	-15.1	-19.7	-22.7	-16.3	-17.6
Kazakhstan	-1.3	-1.8	-2.5	-7.8	5.1	-2.0	3.9
Kyrgyz Republic	-0.6	2.8	-3.1	-0.2	-8.2	-7.8	-12.4
Tajikistan	-3.1	-2.7	-2.8	-8.6	-7.9	-13.7	-13.3
Turkmenistan	4.0	5.1	15.7	15.5	18.7	17.8	29.1
Uzbekistan	3.0	7.7	9.1	7.3	12.8	7.2	6.7
Memorandum							
GCC	**12.4**	**27.4**	**28.8**	**24.8**	**26.3**	**6.3**	**14.2**
Maghreb	**8.4**	**16.1**	**20.1**	**18.2**	**17.4**	**2.1**	**6.1**

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

Table 17. Gross Official Reserves

(Billions of U.S. dollars)

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**216.7**	**439.8**	**602.7**	**849.7**	**1023.2**	**1070.5**	**1191.3**
Oil exporters	**159.6**	**355.8**	**504.9**	**735.5**	**900.6**	**943.7**	**1055.4**
Algeria	25.8	56.2	77.8	110.2	143.1	149.0	159.7
Bahrain	1.4	1.9	2.7	4.1	3.8	4.1	5.7
Iran	21.7	46.8	60.5	82.9	78.0	83.4	92.1
Iraq	6.1	12.0	20.0	31.5	50.2	44.2	40.5
Kuwait	7.9	8.1	11.8	15.9	17.8	16.8	18.4
Libya	16.8	40.3	60.1	80.3	97.1	102.5	115.3
Oman	3.1	4.4	5.0	9.5	11.4	10.3	11.3
Qatar	2.0	4.6	5.4	9.8	9.8	10.2	12.6
Saudi Arabia[1]	57.5	153.2	225.2	305.3	441.9	479.8	540.8
Sudan	0.3	1.7	1.7	1.4	2.0	1.0	1.5
United Arab Emirates[2]	15.4	21.3	28.0	77.9	38.1	35.9	51.5
Yemen	4.0	5.3	6.8	7.0	7.3	6.5	5.8
Oil importers	**57.1**	**84.0**	**97.8**	**114.2**	**122.6**	**126.7**	**136.0**
Afghanistan	0.9	1.7	2.0	2.8	3.5	3.3	3.8
Djibouti	0.1	0.1	0.1	0.1	0.2	0.2	0.3
Egypt	14.6	19.3	22.8	28.5	34.5	31.2	31.2
Jordan	3.7	4.7	6.2	6.9	7.7	9.5	9.5
Lebanon	7.1	9.6	11.4	11.5	18.8	24.9	27.9
Mauritania	0.0	0.1	0.2	0.2	0.2	0.3	0.4
Morocco	10.6	16.1	20.2	24.0	22.0	20.1	19.8
Pakistan	5.4	9.8	10.8	14.3	8.6	9.1	13.5
Syria	12.4	18.2	17.2	17.9	18.1	18.4	18.6
Tunisia	2.6	4.4	6.8	8.0	9.0	9.7	11.0
CCA	**10.1**	**17.4**	**37.2**	**47.0**	**56.9**	**67.4**	**89.5**
Armenia	0.4	0.7	1.1	1.7	1.4	1.9	1.9
Azerbaijan	0.8	1.2	2.5	4.3	6.5	5.3	5.4
Georgia	0.2	0.5	0.9	1.4	1.5	1.9	2.2
Kazakhstan	4.4	7.1	19.1	17.6	19.9	24.3	35.7
Kyrgyz Republic	0.3	0.6	0.8	1.2	1.2	1.6	1.6
Tajikistan	0.1	0.1	0.1	0.1	0.2	0.5	0.5
Turkmenistan	2.3	4.5	8.1	13.2	16.7	20.8	28.7
Uzbekistan	1.5	2.9	4.7	7.5	9.5	11.1	13.5
Memorandum							
GCC	**87.3**	**193.4**	**278.1**	**422.4**	**522.9**	**557.1**	**640.3**
Maghreb	**55.9**	**117.0**	**165.1**	**222.7**	**271.5**	**281.5**	**306.2**

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

[1]Saudi Arabia Monetary Agency gross foreign assets.

[2]Central bank only. Excludes overseas assets of sovereign wealth funds.

Table 18. Total Gross External Debt

(Percent of GDP)[1]

	Average 2000–04	2005	2006	2007	2008	Proj. 2009	Proj. 2010
MENAP	**39.8**	**34.0**	**32.4**	**34.8**	**27.0**	**30.0**	**25.4**
Oil exporters	**35.0**	**29.9**	**29.1**	**34.3**	**25.2**	**29.1**	**23.2**
Algeria	37.5	16.7	4.8	3.8	2.7	2.7	2.1
Bahrain	48.9	43.3	53.4	139.5	158.0	180.5	153.0
Iran	10.5	13.2	10.4	9.8	6.9	5.3	4.3
Iraq	...	351.6	201.0	165.3	104.5	128.7	36.9
Kuwait	26.3	20.4	26.0	23.5	16.9	23.5	20.3
Libya	18.5	12.7	9.9	7.8	6.2	9.2	7.5
Oman	25.4	12.2	14.6	16.7	15.0	17.1	15.2
Qatar	68.6	48.1	52.4	66.3	59.2	67.7	61.4
Saudi Arabia	12.2	9.4	10.8	18.7	16.6	19.6	18.0
Sudan	140.9	98.6	78.1	68.5	58.0	67.6	61.1
United Arab Emirates	23.6	30.3	50.2	74.0	33.1	38.0	35.6
Yemen	45.9	30.9	28.7	26.9	21.9	23.6	20.8
Oil importers	**53.2**	**45.7**	**42.1**	**36.2**	**32.5**	**32.5**	**31.4**
Afghanistan	14.0	184.0	155.0	20.8	19.4	10.6	9.8
Djibouti	58.5	62.0	56.8	63.6	59.2	60.5	63.7
Egypt	32.5	32.2	28.8	23.0	20.8	16.8	14.6
Jordan[2]	76.3	56.5	49.3	43.6	24.3	23.7	21.1
Lebanon	158.8	185.7	198.8	194.0	186.7	186.1	177.7
Mauritania	233.7	132.9	94.1	96.1	59.9	57.2	61.6
Morocco	38.5	24.2	23.9	23.7	20.6	21.9	21.8
Pakistan	41.6	31.1	28.0	27.0	27.0	29.9	32.1
Syria	79.9	23.4	19.2	14.5	10.4	11.7	11.3
Tunisia[3]	67.2	62.1	59.6	56.6	50.5	52.8	51.4
CCA	**52.3**	**48.0**	**54.8**	**53.3**	**48.1**	**57.2**	**55.1**
Armenia	40.6	22.4	18.9	15.7	13.2	31.1	38.7
Azerbaijan[4]	19.7	12.5	9.4	8.1	6.5	9.1	8.4
Georgia	50.1	32.7	34.6	35.3	41.5	54.9	64.0
Kazakhstan	72.4	76.0	91.4	92.4	79.5	100.7	98.6
Kyrgyz Republic	111.4	85.5	77.7	60.2	45.8	52.0	52.6
Tajikistan	97.8	51.5	42.7	40.9	47.0	58.6	64.7
Turkmenistan	22.3	5.4	3.3	2.4	3.2	2.9	1.9
Uzbekistan	38.6	28.9	22.1	16.7	13.4	13.2	11.4
Memorandum							
GCC	**21.0**	**19.0**	**26.1**	**38.6**	**27.4**	**33.3**	**30.6**
Maghreb	**39.4**	**24.3**	**17.6**	**16.0**	**13.3**	**15.8**	**14.4**

Sources: National 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 non-residents held in the banking system.

[3]Includes bank deposits of nonresidents.

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

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