

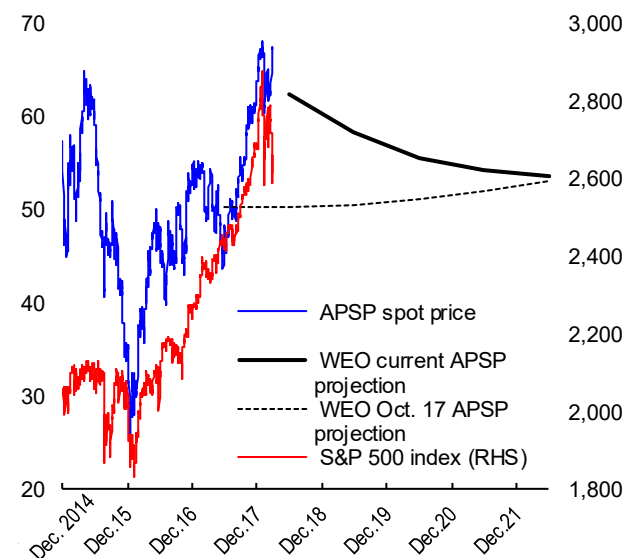
Global Developments: Implications for the Middle East, North Africa, Afghanistan and Pakistan Region¹

Global growth continued to strengthen in the second half of 2017 and is now estimated at 3.8 percent for the full year, the highest level since 2011 and 0.2 percentage point stronger than forecast in the October 2017 *World Economic Outlook* (see table). Growth is **projected to strengthen further to 3.9 percent in 2018 and in 2019**, also 0.2 percentage point higher than anticipated in October. Stronger prospects for the **euro area** should benefit the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region, especially oil importers, through higher exports. The region should also benefit from a marginal strengthening of the outlook for **China**, a key partner for the region. However, the global outlook also entails **higher global interest rates** as monetary policy continues to normalize in advanced economies. This could increase fiscal vulnerabilities and tighten credit conditions in the MENAP region, especially if the risk that global financial conditions tighten more than expected materializes.

Risks to the global outlook are broadly balanced in the near term, but are skewed to the downside over the medium term. In addition to the risk of tighter financial conditions, escalating import tariffs or a shift toward inward-looking policies could harm international trade, reduce global growth, and dampen commodity prices. And the region continues to be exposed to the risk of worsening geopolitical tensions and conflicts.

The outlook for **oil prices** remains highly uncertain, largely reflecting supply-side uncertainty. Oil prices grew strongly in the second half of 2017, rising above \$65 a barrel in January, supported by the improved global growth outlook, extension of the OPEC+ agreement (limiting oil production through the end of 2018), unplanned outages, and geopolitical tensions. More recently, with rapidly rising US shale production, the price of oil has edged down. In this context, while the oil price assumptions for 2018 and 2019 have been revised upward relative to the October 2017 *Regional Economic Outlook: Middle East and Central Asia* (see figure), the medium-term outlook for oil prices remains subdued.

APSP¹ Crude Oil and S&P 500 Index
(US dollars a barrel and stock price index)



Sources: Haver Analytics; and IMF staff calculations.

Note: APSP = average price of spot prices; RHS = right scale; WEO = IMF *World Economic Outlook*.

¹ The average of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil prices.

Real GDP Growth, 2016–19

	2016	2017	2018	2019
World	3.2	3.8	3.9	3.9
MENAP	4.9	2.6	3.4	3.7
MENAP Oil Exporters	5.4	1.7	2.8	3.3
Of Which: Non-Oil GDP Growth	0.8	2.6	3.2	3.4
MENAP Oil Importers	3.7	4.2	4.7	4.6

Sources: National authorities; and IMF staff calculations.

Note: MENAP = Middle East, North Africa, Afghanistan, and Pakistan.

¹ See the April 2018 *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor* for a more comprehensive discussion of the global outlook.

