

REGIONAL ECONOMIC OUTLOOK JULY 2020 UPDATE

MIDDLE EAST AND CENTRAL ASIA

The Middle East and Central Asia (MCD) region has reacted to the global COVID-19 pandemic with swift and stringent measures that have saved lives. However, these policies have also had a large impact on domestic economic activity. With several countries in the region beginning reopening in past weeks, and a recent uptick in activity, rising infection numbers may pose risks. A sharp decline in oil prices together with production cuts among oil exporters and disruptions in trade and tourism added further headwinds. As a result, growth in the region is now projected at -4.7 percent in 2020, 2 percentage points lower than in April 2020. The unusually high level of uncertainty regarding the length of the pandemic and its impact on firm closures, the resulting downside risks (including social unrest and political instability), and potential renewed volatility in global oil markets dominate the outlook. The pandemic will continue to test countries' health capacity and economic resilience. While ensuring strong health systems remains the immediate priority, governments should also focus on supporting the recovery and setting up resilient and well-targeted social safety nets. As the pandemic wanes, countries should facilitate recovery by easing the reallocation of workers and resources, as needed, while resuming gradual fiscal adjustment and rebuilding policy buffers. Multilateral support can play a key role in helping countries surmount these shocks.

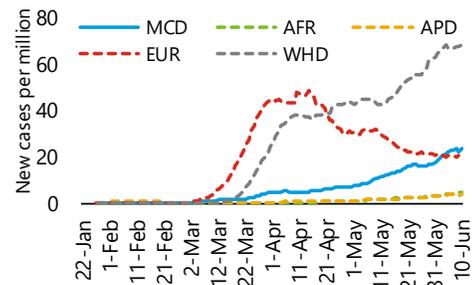
Impact of the Pandemic

The COVID-19 pandemic continues to spread across the MCD region (Box 1, Figure 1), though some countries are gradually relaxing restrictions (Figure 2). The region reacted swiftly, with relatively stringent containment measures, though less so in fragile states. Related deaths have also been comparably contained in the region.

Prepared by Joyce Wong, with assistance from Oluremi Akin-Olugbade. Middle East and Central Asia (MCD) countries comprise: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen (Middle East, North Africa, Afghanistan, and Pakistan Oil Exporters, MENAPOE); Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Somalia, Sudan, Syria, and Tunisia (Middle East, North Africa, Afghanistan, and Pakistan Oil Importers, MENAPIOI); Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan (Caucasus and Central Asia Oil Exporters, CCAOI); and Armenia, Georgia, Kyrgyz Republic, and Tajikistan (Caucasus and Central Asia Oil Importers, CCAOI).

Figure 1. New COVID-19 Cases

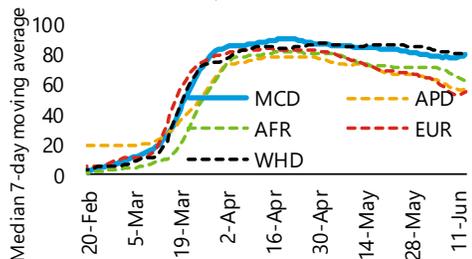
(7-day moving average)



Sources: Johns Hopkins University Center for Systems Science and Engineering (CSSE); and IMF staff calculations. Note: AFR = Sub-Saharan Africa; APD = Asia and Pacific; EUR = Europe; MCD = Middle East and Central Asia; WHD = Western Hemisphere

Figure 2. Oxford Government Response Stringency Index*

(0 = 100 [100 = strictest response])

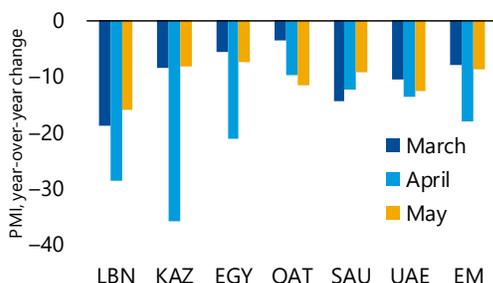


Sources: Hale, Webster, Petherick, Phillips, and Kira (2020); Oxford COVID-19 Response Tracker; and IMF staff calculations. Note: AFR = Sub-Saharan Africa; APD = Asia and Pacific; EUR = Europe; MCD = Middle East and Central Asia; WHD = Western Hemisphere

The necessary containment measures adopted have had a strong impact on economic activity. Mobility in the MCD region around workplaces—as measured by Google Mobility Trends—has declined by as much as in Europe and the Western Hemisphere, both with much higher case incidences. The sizable downturn was also evident in purchasing managers' indices across several countries plummeting in April, though some tentative signs of recovery were observed in May (Figure 3). More recently, countries in the region

that had imposed more stringent confinement policies earlier have also begun gradually relaxing restrictions (Algeria, Bahrain, Georgia, Iran, Jordan, Kazakhstan, Kyrgyz Republic, Lebanon, Pakistan, Saudi Arabia, Tunisia, UAE, Uzbekistan).

Figure 3. Purchasing Managers' Index (Total Economy SA)



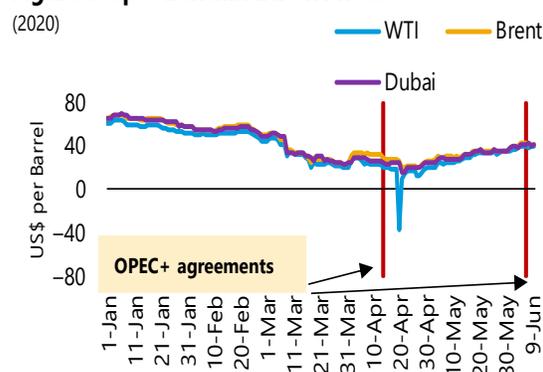
Sources: IHS Markit, Haver Analytics; and IMF staff calculations. Country abbreviations are International Organization for Standardization (ISO) country codes.

The synchronized and global nature of the downturn has also led to a contraction in trade, disruptions to supply chains, and a collapse in tourism and remittances—with the latter accounting for about 14 percent of GDP for fragile and conflict-affected countries in the region. While data are not yet available for the current period, changes in unemployment rates in the region during past crises (such as during the global financial crisis) were usually minimal, partly due to the predominance of relatively secure public-sector jobs.

The region has also been hit hard by the oil shock (Figure 4). The Organization of Petroleum Exporting Countries and other major oil producers (OPEC+) agreements from March and April (and subsequent expansion), together with a reduction in US shale oil production and the recent improvement in market expectations as economies reopen, succeeded in stabilizing oil prices, which have recovered half of the losses since the end of 2019 but remain far below pre-COVID-19 levels. Nonetheless, the larger-than-expected production cuts implied by the OPEC+ agreements together with lower oil prices will have a negative impact on exports. These factors have

led to a stronger-than-anticipated impact on activity in the first half of 2020, while the recovery is projected to be more gradual than previously forecast, in line with a weaker global recovery.

Figure 4. Spot Benchmark Oil Prices



Sources: Bloomberg L.P. Note: OPEC+ = Organization of Petroleum Exporting Countries and other major oil producers; WTI = West Texas Intermediate.

March saw sudden reversals of capital flows from emerging markets generally, with the region experiencing an estimated \$6 billion to \$8 billion in portfolio outflows. Nonetheless, the actual size of outflows could have been larger, as official data are not yet available. Market sentiment has since improved, reflecting, in large part swift and extensive actions by monetary and fiscal authorities in advanced economies. Higher-credit-rated countries in the region (Saudi Arabia, Qatar, UAE) have managed to maintain market access, with large placements in international capital markets in recent months, while lower-rated issuers, such as Bahrain and more recently Egypt, have also issued in primary markets, albeit at a higher cost. Indeed, MCD countries' sovereign issuances made up the majority of emerging market sovereign issuances since the end of March (more than 60 percent). Secondary dollar spreads have narrowed across the region, although they remain elevated, while market pressures on regional currencies appear to have abated. Growth in credit to the private sector and deposits up to April remained broadly stable, though the former had been declining since the middle of last year. Nonetheless, although the region's banking systems appear resilient and well capitalized,

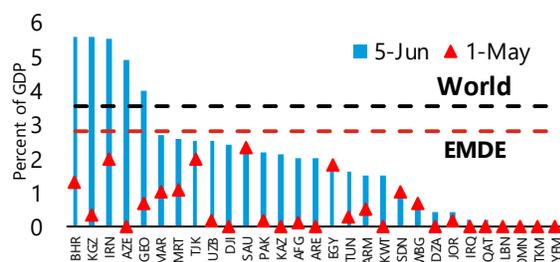
pockets of existing vulnerabilities may yield rising nonperforming loans should the crisis be prolonged with lasting economic scarring.

Immediate Policy Responses

The authorities' immediate policy responses have focused on allocating resources to health care, supporting vulnerable households and the most-affected economic sectors, and ensuring liquidity provision.

Fiscal packages announced since the onset of the pandemic have averaged more than 2 percent of GDP (Figure 5), with about 0.7 percent of GDP directly funding health measures. The latter included spending on health supplies and workers' wages and supported nonpharmaceutical interventions such as quarantines for travelers and suspected infected people, as well as the development of contact tracing methods (Jordan, Mauritania).

Figure 5. Fiscal Support in Response to COVID-19



Sources: IMF COVID-19 Policy Tracker, and IMF staff calculations.
Note: EMDE = emerging and developing economies. Date refers to the vintage of the policy tracker by IMF country teams. World and EMDE are regional averages. Country abbreviations are International Organization for Standardization (ISO) country codes

The average size of the package in MCD was actually smaller than any other region in the world, which reflects constrained policy space among oil importers and existing sizable government support in the economy among most oil exporters. In about half of the countries, packages were financed through expenditure reallocation or revenue measures. Since the end of April, most of the additional policy responses have focused on enlarging fiscal support packages, in particular through support to small and medium enterprises

with time-bound tax deferrals, delayed tax deadlines, and utility holidays (Djibouti, Iran, Pakistan), with few changes to monetary policy.

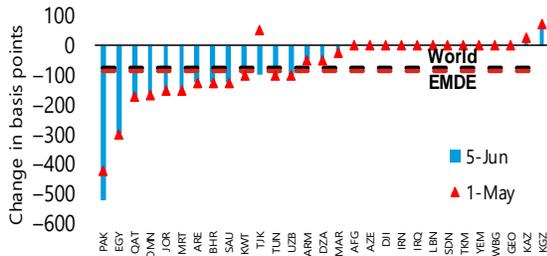
Social protection measures in the region, which were the main instrument for increased nonhealth spending, comprised cash and in-kind transfer schemes (used by more than two-thirds of countries), paid leave, unemployment benefits, and wage subsidies. Utility support, temporary tax exemptions on essential goods, and tax holidays have also been widely deployed (Azerbaijan, Bahrain, Egypt, Georgia, Iran, Morocco, Pakistan, Saudi Arabia, Tajikistan), as have credit lines to small and medium enterprises (Djibouti, Iran, Saudi Arabia, UAE, Uzbekistan). Many of the transfers were one-offs or time bound and were put in place at the onset of the pandemic.

Given the high levels of informality in some countries, mobile technologies have been deployed for cash-support delivery and the identification of beneficiaries. Morocco introduced a mobile payment mechanism to distribute compensation for informal sector workers with online registration, while Tunisia implemented a digital wallet to allow beneficiaries to receive and use transfers via mobile phones. Pakistan and Jordan are both employing online beneficiary registration and eligibility verification, while facilitating e-money payments.

Following sizable policy rate cuts in March and April (Figure 6), most countries have maintained an accommodative monetary stance, while exchange rate flexibility has helped absorb part of the shock in some countries. Policy rates were cut in 16 countries (about half of which maintain pegs) by about 150 basis points (bps) on average (in line with the Federal Reserve); Pakistan and Egypt stand out with cuts of 525 bps and 300 bps, respectively, with Pakistan reducing its rate by a further 100 bps in late June. Nine central banks in the region (Armenia, Georgia, Jordan, Morocco, Saudi Arabia, Tajikistan, Tunisia, UAE, Uzbekistan) have injected more than \$40 billion into their financial systems to support liquidity.

Several countries have allowed the exchange rate to work as a shock absorber (Armenia, Georgia, Kyrgyz Republic, Morocco, Pakistan), in some cases combined with interventions (Georgia, Pakistan). In addition, another nine countries in the region resorted to foreign-exchange interventions, which is more than in any other region, likely reflecting the prevalence of exchange rate pegs.

Figure 6. Monetary Policy Rate Adjustment
(since end-2019)

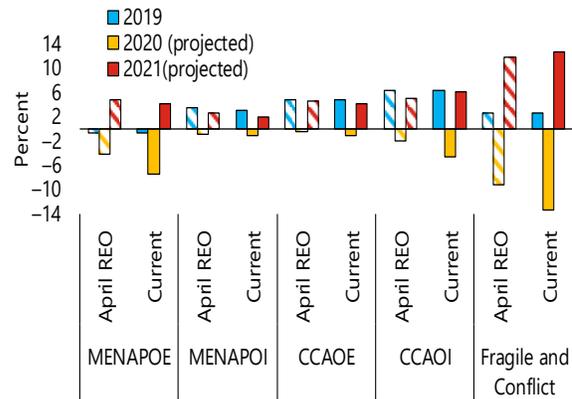


Sources: IMF COVID-19 Policy Tracker; and IMF staff calculations.
Note: EMDE = emerging and developing economies. Date refers to the version of the policy tracker by IMF country teams. World and EMDE are regional averages. Country abbreviations are International Organization for Standardization (ISO) country codes

A Weaker Outlook

Given these domestic and external headwinds, and in spite of policy measures, real GDP in the MCD region is projected to fall by 4.7 percent in 2020, which is 2 percentage points lower than in the April 2020 *Regional Economic Outlook* (REO), in line with revisions to global growth over this period (Figure 7). These changes are mostly driven by the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region, where growth in 2020 is expected to be 2 percentage points weaker than in April, reflecting subdued activity in oil exporters. In contrast, growth in the Caucasus and Central Asia (CCA) region was revised down by only 0.5 percentage point, reflecting stronger policy response in some countries and lower oil production cuts than in MENAP.

Figure 7. MCD Real GDP Growth



Sources: National authorities; and IMF staff calculations.

Despite supportive policies, growth revisions appear to be linked to lockdowns and mobility. Countries with the highest lockdown stringency or lower workplace mobility (as measured by the Google index) also showed bigger real GDP revisions since the April 2020 REO (Kuwait, Kyrgyz Republic, Oman, Saudi Arabia, UAE). For oil exporters, this decline is also seen in non-oil GDP. However, there is unusually high uncertainty around these forecasts as well as around the speed of recovery thereafter.

With output projected to shrink by 13 percent, on average, for 2020 (compared to an average growth of 2.6 percent in 2019), countries that are fragile and in conflict situations are expected to witness a significant decline in GDP per capita—from \$2,900 in 2018–19 to about \$2,000 in 2020. This is a dramatic downturn that will aggravate existing economic and humanitarian challenges and raise already-high poverty levels.

In terms of various subregions:

- Growth in MENAP oil exporters** (MENAPOE) is projected at -7.3 percent in 2020, rebounding to 3.9 percent in 2021. The large downward revisions for this group for both 2020 and 2021 (3.1 and 0.8 percentage points, respectively, compared to the April 2020 REO) reflect the “double whammy” from oil price fluctuations (and supply cuts) and the pandemic-linked lockdowns. Downward revisions in oil GDP reflect a

sharper-than-anticipated drop in crude production; oil export receipts are now projected to decline by more than \$270 billion in 2020 relative to 2019. Non-oil GDP in these economies has also been marked down as stay-at-home rules and other COVID-19 containment measures are causing larger-than-expected disruptions to the tourism, hospitality, transportation, and retail sectors.

- **For MENAP oil importers** (MENAPOI), the benefits from lower oil prices are mostly being offset by hampered trade, tourism, and remittances and tighter global financial conditions and spillovers on domestic credit conditions, which, along with confinement measures, continue to depress growth. While, as a group, growth in 2020 is projected to be nearly unchanged from April (–1.1 percent), there are substantial differences across countries. Growth in 2020 has been revised down for several economies (Afghanistan, Djibouti, Jordan, Morocco, Sudan) as sluggish growth in trade partners is expected to have a stronger-than-previously-projected impact on manufacturing and tourism exports. Markdowns in growth during the second half of 2020 are also reflected for Egypt and Pakistan, both of which lowered their fiscal year 2020/21 (which starts July 2020) projections by about 1 percentage point, driven by weaknesses in the second half of 2020. Economic conditions continue to worsen in Lebanon, amid a generalized economic and financial crisis, with a double-digit contraction projected for 2020.
- **In the CCA region** projections point to a moderately sharper contraction in 2020 (–1.5 vs. –1 percent) and a shallower recovery in 2021 (4.4 vs. 4.7 percent), compared to April forecasts. This is driven largely by downward revisions among CCA oil importers (CCAOI), whose change in real GDP in

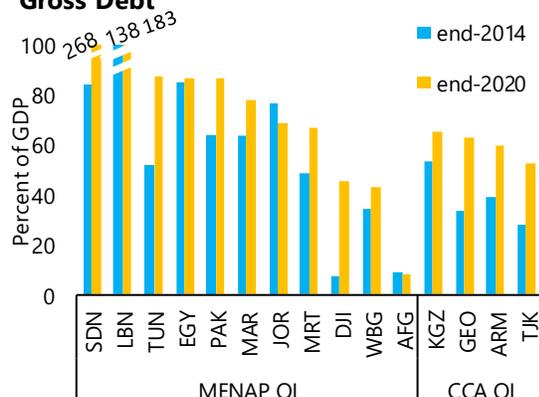
2020 is projected to be –4.6 percent, reflecting the combination of a worse-than-expected economic impact from pandemic-related lockdowns, weak trade, a collapse in tourism activity (Georgia), and a sharp drop in remittances (Kyrgyz Republic), especially from Russia. The region’s oil exporters (CCAOE) are also projected to experience a slightly deeper downturn (–1.1 percent vs. –0.8 percent) in 2020, but much less pronounced than the revisions for MENAP oil exporters. This is driven by the region’s rapid and strong crisis response (Azerbaijan, Kazakhstan), smaller oil production cuts under the OPEC+ agreements, and more diversified economies. In addition, non-oil commodity producers benefitted from the increase in gold prices (Kazakhstan, Uzbekistan), and favorable weather and price liberalization boosted agricultural output in Uzbekistan.

In an environment of weaker demand, inflation is projected to remain low in the region, except for Lebanon where year-over-year inflation increased to 56 percent in May, as the currency has lost nearly two-thirds of its value despite the imposition of informal capital controls. Amid the erosion of tourism and remittances receipts and oil supply cuts, current account balances are projected to deteriorate further in 2020, especially for MENAPOE (–5.4 percent of GDP in 2020 vs. 3.2 percent of GDP in 2019) and the CCA region (–6.4 percent of GDP in 2020 vs. –1.5 percent of GDP in 2019).

Among oil importers in the region, the fiscal balance is expected to worsen in 2020 relative to 2019. While fiscal balances in MENAPOI are projected to decline by about 1.4 percentage points of GDP over this period (due to smaller fiscal packages and some reallocation), the deterioration among CCA importers is much higher, at nearly 6 percentage points of GDP (worsening on average from –1.4 percent of GDP in 2019 to –7.3 percent of GDP in 2020)

reflecting stronger policy responses to COVID-19 in Georgia, Kyrgyz Republic, and Tajikistan. These large and growing deficits elevate debt sustainability concerns as debt-to-GDP levels are now projected to reach, on average, 95 percent of GDP by the end of 2020 for MENAPOI and 61 percent of GDP for CCAOI (Figure 8).

Figure 8. Oil Importers: Total Government Gross Debt



Sources: National authorities; and IMF staff calculations. Country abbreviations are International Organization for Standardization (ISO) country codes.

For oil exporters, the fiscal picture is mixed: in about half of the countries, policy packages were accompanied by adjustments in nonpriority expenditures and revenue measures, leading to improved non-oil fiscal balances in 2020, compared to 2019 (Algeria, Bahrain, Oman, Qatar, and Saudi Arabia, the last of which tripled its value-added tax). Among the rest, non-oil fiscal balances in 2020 worsened on average by 4 percentage points of non-oil GDP over the same period with large deteriorations in Azerbaijan, Kuwait, and UAE. Fiscal balances are projected to worsen across the board in 2020, compared to 2019.

High Uncertainty Around the Outlook

Going forward, the economic outlook and balance of risks will be subjected to elevated uncertainty around the evolution and persistence of the pandemic. The downturn could be less severe than forecast if, for example, there is an earlier-

than-expected availability of a vaccine or if country authorities find a way to maintain activity (and health systems) without stringent lockdowns in the face of any subsequent waves.

Nonetheless, downside risks are expected to dominate.

- With regard to the direct impact of the pandemic, while several countries in the region have begun lifting stringent measures and there has been a recent uptick in activity, newly rising infection numbers could halt these trends. Although the region has thus far suffered relatively limited casualties, subsequent waves could test the capacity of health systems.
- A prolonged decline in activity from a re-imposition of containment measures due to a recurrence of the pandemic or from cross-border spillovers or given weaker external demand could pose risks for firm bankruptcies and closures. This, in turn, may further dampen the recovery, worsen poverty and inequality, and lead to important economic scarring.
- Lasting labor market scars, together with worsening poverty and inequality, could create stability challenges for governments in the region, particularly considering the high level of unemployment in some countries. In addition, social unrest could be rekindled as lockdown measures are lifted. As a result, these risks could make it more difficult for countries to unwind some of the support provided during the crisis amid limited policy space and rising vulnerabilities. This scenario could also trigger a reinforcing spiral of economic hardship and conflict in fragile states.

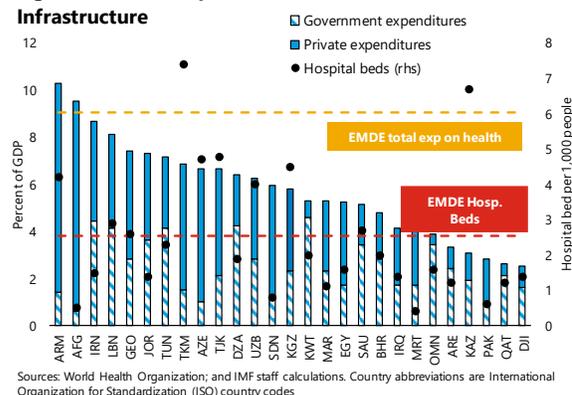
Beyond pandemic risks, continued declines in oil prices or production could further erode oil exporters' policy space and potentially affect these countries' banking systems. Any tightening of

financial conditions could complicate debt rollovers for firms and sovereigns in the region (the latter facing about \$21 billion in maturing external sovereign debt in the second half of 2020). A more protracted recovery in remittances and tourism (key foreign exchange flows to the region) could also pose risks to both growth and external financing. In addition, the potential decline in expatriate workers (which account for more than 70 percent of the labor force in some oil-exporting countries) could dampen recovery.

Near-term Supportive Policies Needed

Governments need to continue ensuring that health systems are adequately resourced, strong, and resilient, regardless of where the country is in the progression of the pandemic (Figure 9). As countries in the region continue to reopen, policymakers should also focus on facilitating recovery. This will require progressively unwinding some of the emergency support and aiding the reallocation of workers away from contact-intensive sectors such as tourism—if needed, through hiring subsidies, retraining, and easing labor market rigidities and entry barriers—while tackling rising poverty and inequality. The exit from emergency support should be gradual to avoid sudden income losses and bankruptcies just as the economy is recovering. Easing reallocation will also require strong insolvency frameworks and mechanisms for restructuring and disposing of distressed debt so that weak private balance sheets do not stall the recovery. Such reforms will take sustained effort and time to put in place, though in Lebanon, which faces deep challenges, prompt and decisive reform implementation is needed across the board to restore macroeconomic stability. In addition, any further measures to support the economy in the short term should be designed to avoid excessively inhibiting reallocation. For instance, the focus should be placed on re-skilling workers and ensuring that credit goes toward viable sectors.

Figure 9. Health Expenditure and Infrastructure



For countries still in lockdown as well as those carefully reopening, liquidity provision will remain essential to supporting market functioning and preventing impairments to funding conditions. Bank capital and liquidity buffers, if adequately high, should be used to absorb losses and liquidity strains. In particular, countercyclical capital buffers could be relaxed to maintain bank credit. In cases where banks face sizable and long-lasting shocks (for example, if the pandemic continues and lockdowns resume), and where bank capital adequacy is affected, supervisors should take targeted actions, including asking banks to submit credible capital restoration plans. Throughout the process, transparent risk disclosure and clear guidance from supervisors will be important. In the face of market pressures, and where appropriate, flexible exchange rates should be deployed as a first line of defense. Exchange rate interventions can play a role in muting excessive volatility. In crisis or near-crisis situations, capital outflow management measures could be considered, as long as they are part of a broader policy package and temporary. In general, authorities should explore contingency plans in case of a more protracted pandemic.

Global Support and Rebuilding Buffers

Multilateral, regional, and bilateral assistance through the global financial safety net can help cushion the impact of funding shocks. The IMF is

actively supporting the region and has already approved nearly \$17 billion to MCD countries since the beginning of 2020. Egypt, Jordan, the Kyrgyz Republic, Pakistan, and Tunisia have received emergency assistance under the Rapid Financing Instrument, while Afghanistan, Djibouti, the Kyrgyz Republic, Mauritania, Tajikistan, and Uzbekistan have accessed its concessional counterpart, the Rapid Credit Facility. These emergency financing instruments require no ex-post conditionality, and the Rapid Credit Facility is offered at zero interest. Morocco has opted to draw on its Precautionary Liquidity Line to boost reserve buffers and help manage needs arising from the shock. The ongoing IMF-supported programs in Armenia, Georgia, and Jordan have been adapted and, in Armenia and Georgia, augmented, to accommodate COVID-19-related spending. In addition, a new 12-month Stand-By Arrangement was recently approved for Egypt, while programs for Jordan and Egypt have helped catalyze \$5 billion in additional funding from other official creditors. The recent \$1.8 billion in donor pledges to aid Sudan in the context of an IMF Staff-Monitored Program marks another strong example of multilateral assistance. Furthermore, the IMF's Catastrophe Containment and Relief Trust (CCRT) has provided debt service relief to Afghanistan, Djibouti, Tajikistan, and Yemen, while Somalia became eligible to receive debt relief in March 2020 under the Heavily Indebted Poor Countries Initiative, once completion point criteria are met. Going forward, the Group of Twenty Debt Service Suspension Initiative could be an important resource for several of the region's financially constrained countries to preserve international liquidity and channel resources to combat the health crisis. Thus far, six countries from the region have requested relief:

Afghanistan, Djibouti, Kyrgyz Republic, Mauritania, Pakistan, and Tajikistan.

The pandemic has highlighted the importance of strong and wide-reaching social safety nets. For all countries in the region, regardless of whether they remain locked down or are carefully reopening, these should be broadened and better targeted going forward. In addition, the pandemic has weighed heavily on informal and migrant workers not covered by traditional social safety net delivery methods. Given the high levels of informality in the region, establishing digital payment systems and building social protection databases to ensure the timely identification and support of targeted beneficiaries should be key priorities once the immediate crisis abates.

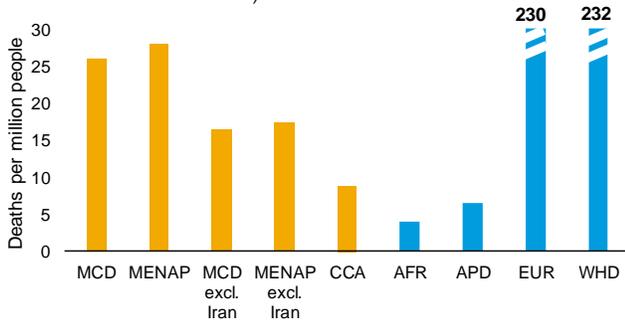
Beyond the pandemic and immediate recovery, the focus should shift toward rebuilding buffers, in particular by lowering public debt and increasing reserves, and promoting a resilient and equitable economy. Many countries in the region will come out of the crisis with little policy space, large public debts, and rising financing pressures. In addition, contingent liabilities, particularly related to state-owned enterprises (SOE), could materialize in the event of a prolonged pandemic. To mitigate these risks, resuming gradual fiscal consolidation anchored by medium-term fiscal frameworks will be key, together with governance reforms and strengthened SOE oversight. The pandemic will likely accelerate global climate mitigation efforts and digitalization as some changes put in place during the crisis (for example, telecommuting and less travel) remain permanently. In this regard, redoubling diversification efforts will be essential to move the region away from its dependence on oil (both by exporters and through remittances) and toward building resilient economies that promote job creation.

Box 1. COVID-19 in the Middle East and Central Asia Region

Using data from the Johns Hopkins University’s COVID-19 tracker as of June 21, the pandemic appears to be having less of a measured impact in the region (with over 1,100 cases per million people) compared to Europe and the Western Hemisphere (4,500 and 3,000 cases per million, respectively), though it continues to outpace sub-Saharan Africa and Asia. Within the region, the hardest stricken countries are Saudi Arabia and Iran, with more than 4,500 and 2,500 cases per million people, respectively. Nonetheless, careful interpretation is warranted as data quality and testing capacity vary across countries and regions.

Box Figure 1. Total COVID-19 Deaths

(Cumulative deaths until 06/21/20)



Sources: Johns Hopkins University Center for Systems Science and Engineering; and IMF staff calculations.
 Note: AFR = Sub-Saharan Africa; APD = Asia and Pacific; EUR = Europe; MCD = Middle East and Central Asia; WHD = Western Hemisphere; MENAP = Middle East, North Africa, Afghanistan, and Pakistan; CCA = Caucasus and Central Asia.

In terms of fatalities—likely less subject to measurement issues—the region appears to also be relatively less affected. As of June 21, the disease has been registered in 31 out of 32 countries in the region with more than 22,000 deaths. Total deaths per million people for the region are about 26, much lower than the more than 200 deaths per million people in Europe and Western Hemisphere but higher than 4–6 in sub-Saharan Africa and Asia (Box Figure 1).

The region reacted swiftly to contain the pandemic. Many countries imposed movement restrictions and social distancing measures before any confirmed cases. Saudi Arabia suspended pilgrimages to Mecca and Medina and barred access to religious sites in the two cities as early as February 26. Some countries

declared a state of national emergency (Armenia, Georgia, Iraq, Jordan, Kazakhstan, Kyrgyz Republic, Libya, Morocco, Sudan) and imposed strict containment measures, including mandatory self-isolation and curfews. Quarantine rules were accompanied by severe penalties for noncompliance in some places, ranging from heavy fines to prison sentencing (Jordan, Saudi Arabia, UAE). At the same time, countries also adopted innovative measures to contain the virus, such as virtual doctors and sanitizing robots in the UAE or ramping up domestic mask production in Morocco.

As the move toward cautious reopening continues, deconfinement plans range from phased approaches (Lebanon) to reliance on a geographical breakdown between low-risk and high-risk regions (Iran). Physical distancing continues to be enforced in most countries, with businesses required to comply with precautionary measures in order to re-open. Face masks are mandatory in at least indoor public settings in Bahrain, Georgia, Kazakhstan, Morocco, Qatar, and the UAE, with violators facing heavy penalties, including up to three months of jail time in Morocco.

MENAP Region: Selected Economic Indicators, 2000–21

(Percent of GDP, unless otherwise indicated)

	Average	2017	2018	2019	Projections	
	2000–16				2020	2021
MENAP¹						
Real GDP (annual growth)	4.6	2.1	1.5	0.5	-5.1	3.1
<i>of which non-oil growth</i>	5.5	2.9	2.2	2.2	-4.7	2.9
Current Account Balance	7.4	-0.5	3.2	1.0	-5.4	-4.5
Overall Fiscal Balance	2.2	-5.7	-2.7	-4.0	-10.6	-8.7
Inflation (year average; percent)	7.0	7.0	9.3	7.9	8.3	8.9
MENAP oil exporters						
Real GDP (annual growth)	4.8	1.2	0.1	-0.8	-7.3	3.9
<i>of which non-oil growth</i>	6.0	2.2	1.1	1.8	-6.8	3.5
Current Account Balance	10.7	1.8	6.6	3.2	-5.4	-4.4
Overall Fiscal Balance	4.7	-5.3	-1.2	-2.9	-11.4	-9.1
Inflation (year average; percent)	6.9	3.6	8.7	7.6	7.2	8.3
MENAP oil exporters excl. conflict countries and Iran						
Real GDP (annual growth)	5.3	-0.5	1.6	1.1	-7.4	2.6
<i>of which non-oil growth</i>	6.8	1.5	2.0	2.6	-7.1	3.4
Current Account Balance	12.6	1.3	6.9	3.9	-7.0	-5.8
Overall Fiscal Balance	5.9	-5.5	-1.0	-2.4	-12.0	-9.6
Inflation (year average; percent)	3.6	0.9	2.1	-0.8	1.5	2.9
Of which: Gulf Cooperation Council (GCC)						
Real GDP (annual growth)	4.6	-0.4	2.0	0.5	-7.1	2.1
<i>of which non-oil growth</i>	6.4	1.9	2.0	2.4	-7.6	3.0
Current Account Balance	14.2	2.8	8.6	5.6	-3.9	-2.9
Overall Fiscal Balance	7.4	-5.7	-1.6	-2.1	-10.5	-8.0
Inflation (year average; percent)	2.9	0.3	2.1	-1.4	1.3	3.2
MENAP oil importers						
Real GDP (annual growth)	4.2	4.0	4.3	3.0	-1.1	1.8
Current Account Balance	-2.4	-6.7	-6.4	-5.5	-5.2	-4.6
Overall Fiscal Balance	-5.8	-6.7	-6.9	-7.3	-8.7	-7.8
Inflation (year average; percent)	7.7	14.4	10.3	8.5	10.2	9.8
MENA¹						
Real GDP (annual growth)	4.6	1.7	1.0	0.3	-5.7	3.4
<i>of which non-oil growth</i>	5.6	2.6	1.7	2.3	-5.3	3.2
Current Account Balance	8.0	-0.2	4.1	1.4	-5.8	-4.8
Overall Fiscal Balance	2.7	-5.7	-2.3	-3.6	-10.8	-8.9
Inflation (year average; percent)	7.0	7.4	10.1	8.1	8.0	9.1
Arab World						
Real GDP (annual growth)	4.8	1.2	2.4	1.9	-5.7	3.5
<i>of which non-oil growth</i>	6.0	2.1	2.5	3.0	-5.2	3.0
Current Account Balance	8.9	-0.9	3.8	1.4	-6.9	-5.9
Overall Fiscal Balance	3.1	-6.4	-2.4	-3.2	-11.1	-9.4
Inflation (year average; percent)	4.8	6.9	5.8	2.4	4.5	5.8

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

¹2011–21 data exclude Syrian Arab Republic.

Notes: Data refer to the fiscal year for the following countries: Afghanistan (March 21/March 20) until 2011, and December 21/December 20 thereafter, Iran (March 21/March 20), and Egypt and Pakistan (July/June).

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

GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.

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

Arab World: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

CCA Region: Selected Economic Indicators, 2000–21*(Percent of GDP, unless otherwise indicated)*

	Average 2000–16	2017	2018	2019	Projections	
					2020	2021
CCA						
Real GDP (annual growth)	7.4	4.0	4.3	4.8	-1.5	4.4
Current Account Balance	0.2	-2.3	0.2	-1.5	-6.4	-5.0
Overall Fiscal Balance	1.6	-2.8	2.0	0.6	-5.6	-3.5
Inflation (year average; percent)	9.1	9.4	8.3	6.8	7.8	6.3
CCA oil and gas exporters						
Real GDP (annual growth)	7.6	3.8	4.2	4.6	-1.1	4.2
<i>of which non-oil growth</i> ¹	7.9	3.2	3.9	5.3	-1.1	3.5
Current Account Balance	1.5	-1.9	1.4	-0.9	-5.9	-4.5
Overall Fiscal Balance	2.4	-2.7	2.5	0.8	-5.4	-3.3
Inflation (year average; percent)	9.4	10.0	9.0	7.2	8.1	6.6
CCA oil and gas importers						
Real GDP (annual growth)	6.0	6.0	5.3	6.2	-4.6	5.9
Current Account Balance	-8.8	-4.6	-8.1	-5.6	-10.2	-8.0
Overall Fiscal Balance	-3.0	-4.0	-1.9	-1.4	-7.3	-4.4
Inflation (year average; percent)	6.7	4.6	2.7	4.0	5.3	3.9

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

¹Aggregate for Azerbaijan, Kazakhstan and Turkmenistan. Uzbekistan data for non-oil GDP is not available.

CCA oil and gas exporters: Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan.

CCA oil and gas importers: Armenia, Georgia, the Kyrgyz Republic, and Tajikistan.