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United Arab Emirates

On behalf of
Kingdom of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Republic of Yemen

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On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Yemen
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I. INTRODUCTION

1. **We express our continued deep concern about the ongoing conflict in the Middle East.** This includes its devastating human cost, the extensive destruction of civilian and critical infrastructure, and its increasingly severe implications for regional and global peace, security, economic stability, and prosperity. The conflict continues to generate significant spillovers well beyond the region, exacerbating existing vulnerabilities and heightening uncertainty at a particularly fragile moment for the global economy.

2. **In their public communications, our capitals condemned the continued acts of violence against their sovereign territories, which endangered civilian populations, and damaged civilian and critical infrastructure.** They underscored the primacy of international law and the UN Charter, and called for an end of the hostilities, the protection of civilians, and renewed diplomatic efforts. In this context, Gulf Cooperation Council (GCC) governments have articulated a strong and coordinated position, urging immediate de-escalation, a return to dialogue, and peace as the only sustainable path to restore security and stability. Meanwhile, despite ongoing ceasefire efforts, Israeli military operations in southern Lebanon continue, resulting in civilian casualties and damage to civilian and critical infrastructure. Against this backdrop, the Lebanese authorities have renewed their calls for an immediate end to hostilities, full Israeli withdrawal, and stronger international engagement to uphold and implement the framework agreement.

3. The ongoing conflict in the Middle East is weighing increasingly on the global economy. Although flexible supply responses, shipment adjustments, policy buffers, and relatively resilient activity have so far contained some of its immediate effects, it is operating as a major adverse supply shock. This effect is reflected in higher energy and other commodity prices, rising transportation and financing costs, higher debt service costs, and heightened uncertainty. Oil supply adjustments have offset some of the initial shortfalls, but futures prices have shifted markedly higher and commodity markets remain vulnerable to further disruption. Under the IMF's prolonged-conflict scenario, oil prices would average 17 percent above the baseline in 2026 and 40 percent above it in 2027, while key natural-gas benchmarks would be 17 percent and 26 percent higher, respectively. Such a shock would raise inflation and weaken growth in both advanced and emerging market and developing economies (EMDEs), with a particularly pronounced growth impact in EMDEs. Higher commodity prices are already placing upward pressure on short-term interest-rate expectations, while long-term government yields have risen across major advanced economies and EMDEs since the start of the conflict. If sustained, higher borrowing costs, term

premia, and inflation expectations could further weaken growth, intensify debt-sustainability pressures, and constrain the policy space available to highly indebted countries. Global food production is also at risk, as fertilizer export disruptions ahead of planting seasons threaten 2026 harvests and disproportionately affect poorer countries. Even if hostilities subside, the recovery of oil, gas, and related industrial production is likely to take many months.

4. **We remain concerned that the burden of ongoing developments remains highly asymmetric, with energy- and commodity-importing EMDEs, low-income countries (LICs), and fragile and conflict-affected states (FCSs) disproportionally affected.** After years of successive external shocks, these countries are confronting a further deterioration in their economic and social conditions. They face rising import costs, tighter financing conditions, weaker external and fiscal positions, and heightened risks to food security and social stability. Higher energy, food, and fertilizer prices, supply chain disruptions, weaker tourism receipts, risks to remittance inflows, capital outflows, and elevated borrowing costs are compounding pressures at a time when fiscal and policy buffers have already been severely depleted. Energy and commodity-importing EMDEs are particularly vulnerable, as currency depreciation amplifies imported inflation and further strains external balances. Elevated public debt and debt service burdens further constrain policy responses. Many LICs and FCSs face growing food insecurity amid declining official development assistance, while numerous FCSs are also grappling with large-scale displacement and rising refugee flows.

5. **Given the continued exceptionally adverse circumstances confronting our constituency and region, we will largely devote this 2026 Fall IMFC statement to the implications of the Middle East conflict for our member countries and our expectations of the IMF at this critical juncture**. **International cooperation remains essential to addressing the immediate threats from the Middle East conflict and progress on issues of common interest.**

II. THE ADVERSE IMPLICATIONS OF THE MIDDLE EAST CONFLICT FOR OUR CONSTITUENCY MEMBERS

1- **Bahrain:** Bahrain's diversified economic base and ongoing economic diversification efforts have supported resilience amid heightened regional uncertainty. The ongoing conflict has disrupted trade and maritime activity, affected production capacity, and narrowed policy space. The authorities have responded proactively through focused and targeted measures to support economic activity, ensure business continuity, and strengthen supply chain resilience. The government advanced a broad fiscal reform agenda through end-2025, including corporate tax initiatives, expenditure rationalization, and energy subsidy reforms aimed at strengthening fiscal consolidation and broadening the revenue base. These efforts have enhanced Bahrain's capacity to absorb external shocks and contributed to strong economic momentum at the start of 2026, driven primarily by the non-hydrocarbon sector. The banking and financial sector continues to operate normally,

supported by strong capital and liquidity buffers and enhanced supervisory oversight. The Central Bank of Bahrain remains committed to safeguarding monetary and financial stability and ensuring the uninterrupted provision of financial services.

2- **Egypt:** Egypt entered the Middle East conflict from a considerably stronger macroeconomic position than in previous episodes of external stress, supported by solid growth, declining inflation, and rising international reserves. Despite the challenging regional environment, the economic impact has remained broadly contained, reflecting timely policy actions, including exchange rate flexibility, energy price adjustments, and expenditure restraint. Economic activity continued to strengthen, with real GDP growth reaching 5 percent in the third quarter of FY2025/26, keeping full-year growth on track at around 4.6 percent, while inflation eased to 14.3 percent by June 2026. External pressures from higher energy costs were mitigated by record remittance inflows, strong tourism receipts, and a gradual recovery in Suez Canal revenues, while gross international reserves remained robust at 119 percent of the ARA metric. Fiscal performance has also been strong, supported by revenue overperformance, expenditure containment, lower gross financing needs, and continued progress in strengthening the primary surplus and debt sustainability. Against this backdrop, the Executive Board completed the seventh review under the Extended Fund Facility and the second review under the Resilience and Sustainability Facility, unlocking SDR 1.31 billion (about US$1.8 billion) in additional disbursements and bringing total purchases under the two arrangements to about SDR 5.4 billion (US$7.3 billion). Directors welcomed the authorities' continued commitment to prudent macroeconomic policies and emphasized the importance of maintaining a sufficiently tight monetary policy stance, exchange rate flexibility, fiscal consolidation, revenue mobilization, financial sector resilience, and structural reforms to support higher and more durable growth.

3- **Iraq:** Despite severe regional disruptions, the new government is advancing reforms aimed at preserving macroeconomic stability and addressing structural vulnerabilities. Fiscal efforts include customs automation and tariff enforcement, revenue measures, expenditure rationalization, and a shift toward program- and performance-based budgeting. Financial sector reforms are focused on modernizing the banking system, strengthening governance and AML/CFT controls, expanding electronic payments, and facilitating Iraqi banks' access to international correspondent banking channels. Governance reform has become a centerpiece of the government's agenda, with a high-profile anti-corruption campaign, stronger scrutiny of public contracts and financial institutions, asset-recovery efforts, and further digitalization of government processes. Structural priorities include improving the investment climate, supporting private-sector development, diversifying income and energy sources, and developing alternative oil export routes to reduce exposure to maritime disruptions. Prime Minister Ali al-Zaidi's July 2026 discussions with IMF Managing Director Kristalina Georgieva emphasized these priorities and IMF engagement and support for the next phase of Iraq's reform program.

4- **Jordan:** Jordan has maintained macroeconomic stability despite strong headwinds from the conflict in the Middle East, supported by prudent policies, continued reform implementation, and robust international support. While the conflict has led to higher energy costs, disruptions to regional shipping routes, and a decline in tourism, most sectors have continued to operate normally, inflation has remained low, and external buffers remain strong. As a net energy importer, Jordan remains exposed to higher fuel, electricity, transport, and freight costs, which continue to weigh on the economy. To cushion the impact, the authorities have allowed a partial pass-through of fuel prices while protecting low-income households through targeted support. The Central Bank of Jordan has also taken measures to safeguard financial stability and support liquidity and credit conditions. Despite elevated regional uncertainty, growth is expected to strengthen over the medium term, supported by large investment projects. Program performance under Jordan's IMF-supported arrangements remains strong, with all quantitative performance criteria met, structural benchmarks completed, and reforms advancing. In June 2026, the IMF Executive Board completed the fifth review under the Extended Fund Facility and the second review under the Resilience and Sustainability Facility, making available approximately US$134 million under the EFF and US$54 million under the RSF. Directors welcomed the authorities' continued commitment to fiscal discipline, gradual fiscal consolidation, financial stability, and structural reforms aimed at strengthening the business environment, enhancing labor market flexibility, and supporting stronger private-sector-led growth and job creation.

5- **Kuwait:** Since the onset of the conflict, the Kuwaiti authorities have pursued a proactive and comprehensive policy response focused on preserving macroeconomic and financial stability, maintaining business confidence, and ensuring the availability of essential goods. Kuwait's prudent management of the impact of the ongoing Middle East conflict is supported by a strong external position, sizable sovereign assets, and low levels of public debt. In this context, operations through the Strait of Hormuz remain a critical point for supply chain continuity and economic activity in the country. Broad-based efforts have included the establishment of the Kuwait Emergency Response Fund and the mobilization of private-sector contributions to support crisis-response efforts. Meanwhile, careful price monitoring, as well as measures to facilitate imports, have successfully helped contain inflation and safeguard households spending. The authorities have also enhanced fiscal financing through reforms to broaden the government's financing toolkit and support domestic capital market development. The Central Bank of Kuwait has complemented these efforts through the introduction of a package of regulatory and liquidity measures aimed at sustaining credit flows and maintaining banking sector resilience. Kuwait remains committed to advancing its economic reform agenda and long-term development objectives under Kuwait Vision 2035. In this context, the IMF Executive Board concluded the 2025 Article IV consultation with Kuwait in February 2026, welcoming the ongoing

economic recovery and recognizing the authorities' efforts to advance fiscal and structural reforms in support of their long-term vision.

6- **Lebanon:** Lebanon continues to face a severe humanitarian and economic crisis as a result of the ongoing Hezbollah-Israel conflict and Middle East conflict. Large-scale airstrikes, ground operations, and displacement have resulted in significant loss of life, extensive damage to housing and critical infrastructure, severe disruptions to economic activity, and a marked deterioration in living conditions. Activity is expected to contract sharply in 2026, inflation remains in double digits, and the current account deficit has widened, driven largely by higher energy costs. Despite these exceptionally difficult circumstances, the authorities have succeeded in preserving a measure of macroeconomic stability through cautious fiscal and monetary policies. They have maintained fiscal discipline, strengthened budget management, and are advancing a Medium-Term Fiscal Framework aimed at restoring fiscal and debt sustainability while creating space for reconstruction, social protection, and support for internally displaced populations. Important progress has also been achieved on financial sector reforms, including the recent approval of amendments to the Bank Resolution Law, following approval of the Bank Secrecy Law, a key step toward banking sector restructuring. Close discussions with the IMF continue with the aim to align the Financial Stabilization and Deposits Recovery Act with international standards and advancing a comprehensive reform agenda. The authorities remain committed to maintaining close cooperation with international partners and the IMF with the objective of reaching an IMF-supported arrangement that would underpin economic stabilization, financial sector restructuring, and sustainable, inclusive recovery. Prime Minister Nawaf Salam's discussions with IMF Managing Director Kristalina Georgieva in September 2026 reiterated this commitment.

7- **Maldives:** While economic activity remained resilient in 2025, spillovers from the Middle East conflict are expected to moderate growth in 2026, before a gradual medium-term recovery. In response to the fallout from geopolitical developments, the authorities have introduced measures to preserve macroeconomic stability, mitigate supply disruptions, and support tourism activity. A sizable fiscal consolidation in 2025, achieved through revenue measures and expenditure controls, helped contain financing pressures. However, fiscal deficits remain elevated in 2026 as higher global oil prices have increased subsidy costs and weaker tourism activities have dampened revenues. The authorities have remained current on all debt-service obligations, including repayment of the US$ 500 million global sukuk that matured in April 2026. Major debt management operations undertaken in 2026 have helped to ease near-term solvency pressures and supports debt sustainability. The Maldives Monetary Authority has tightened monetary policy through the resumption of open market operations and raising the minimum reserve requirement. Reforms to the foreign exchange market operations under the Foreign Currency Act, together with access to bilateral swap lines have helped to improve foreign exchange liquidity, strengthened reserves, and supported external stability.

8- **Oman**: Oman has demonstrated strong resilience amid geopolitical tensions with spillovers from regional conflicts remaining limited. Ongoing fiscal and structural reforms under Oman Vision 2040 have supported favorable macroeconomic outcomes, strengthened fiscal and external positions, and continued public sector deleveraging. Fiscal surpluses and declining public debt have reinforced economic stability, while robust non-hydrocarbon activity and foreign direct investment inflows have sustained economic momentum. Higher energy prices have also provided support to fiscal and external revenues. Oman's banking sector has remained resilient, underpinned by strong capital and liquidity buffers and supported by the Central Bank of Oman's prudent regulatory and supervisory framework. Continued expansion in private sector credit underscores the increasing contribution of the financial sector to economic diversification and private sector-led growth. While regional tensions have heightened uncertainty, the authorities have strategically leveraged Oman's role in regional integration and trade connectivity to sustain demand from neighboring markets and limit the risk of broader regional spillovers, which is also helping to safeguard the economy from external disruptions.

9- **Qatar:** Qatar's economy has continued to demonstrate strong resilience, amid the conflict in the Middle East, reflecting sound macroeconomic management and substantial fiscal and external buffers that have helped mitigate the economic impact of the conflict. Although conflict-related disruptions are expected to weigh on growth in 2026, a strong V-shaped recovery is projected for 2027. Qatar's financial system has remained resilient, supported by ample liquidity, strong capital buffers, strong international investors' confidence, and proactive measures by the Qatar Central Bank to safeguard orderly market functioning. As a leading global LNG supplier, Qatar remains committed to maintaining energy exports and promoting stability in global energy markets. QatarEnergy's first overseas LNG production at Sabine Pass, Texas, marked a historic milestone that will strengthen global energy security. The medium-term outlook remains favorable, and ongoing diversification efforts under Qatar National Vision 2030 are expected to support a strong recovery. In this regard, the authorities have launched Doha Investment, a dedicated investment platform established to accelerate Qatar's next phase of economic growth in priority non-hydrocarbon sectors and increase private sector participation across Qatar's economy. Qatar's strong fundamentals, low public debt, and a strong sovereign balance sheet provide substantial capacity to absorb shocks, while the overall external position remains aligned with intergenerational equity objectives.

10- **Somalia:** While Somalia has so far avoided the direct effects of the prolonged conflict in the Middle East, its regional and global spillovers are compounding the country's already severe economic and humanitarian challenges. The outlook remains fragile amid declining external assistance, recurrent climate shocks, and heightened uncertainty, with real GDP growth expected to moderate. Somalia's heavy dependence on imported food and fuel, coupled with limited policy buffers, leaves it particularly vulnerable to continued

disruptions in trade and shipping and rising transport and import costs. The sharp decline in foreign assistance is also intensifying fiscal and social pressures, underscoring the need to protect priority and social spending. Against this difficult backdrop, the authorities are strengthening domestic revenue mobilization, including through implementation of the new income tax law and customs modernization, while maintaining strong reform implementation under the IMF-supported Extended Credit Facility. Looking ahead, preserving macroeconomic stability will require prudent fiscal management, sustained structural reforms, stronger domestic revenue mobilization, and protection of essential social spending. Continued support from development partners, including the IMF, will remain critical given Somalia's limited capacity to absorb further external shocks.

11- **UAE:** The UAE economy has demonstrated notable resilience amid the conflict in the Middle East, underpinned by strong fundamentals, ample policy buffers and swift policy response at the federal and emirates level, including measures to safeguard critical supply chains. While the elevated uncertainty and disruptions from the conflict is expected to weigh on growth in 2026, a strong rebound is expected for 2027, supported by higher hydrocarbon production, recovering exports, and a normalization of tourism and trade flows. Inflation is expected to edge up in 2026, reflecting the pass-through of higher global energy and food prices, before gradually easing over the medium term. The CBUAE's Financial Institution Resilience Package, together with strong pre-conflict capital and liquidity buffers, has helped to preserve financial stability and support continued credit growth. Fiscal and external balances are expected to stay in surplus, reflecting favorable oil prices, prudent fiscal management, and strong institutional frameworks, while low public debt preserves significant fiscal buffers. More broadly the UAE's fiscal approach continues to be centered on economic diversification, fiscal discipline, efficient resource management, and strong sovereign financial buffers, enabling it to maintain stability and support long-term development, despite global uncertainty.

12- **Yemen:** On October 7, 2026, IMF Management has approved an 18-month non-financing Staff-Monitored Program (SMP) for Yemen. The program seeks to preserve macroeconomic stability amid the conflict in the Middle East, reinforce fiscal discipline and maintain a prudent monetary policy stance while protecting the most vulnerable, strengthen institutional capacity, and enhance data quality. Yemen remains one of the world's most fragile states. The situation remains dire and the country continues to face significant development needs, chronic water shortages, and pressing social demands. With one of the highest malnutrition rates in the world, Yemen's poverty reduction needs are enormous. As an import dependent economy, Yemen is particularly exposed to adverse spillovers from the regional conflict, including higher global food and fuel prices, which are expected to weigh on growth and contribute to a contraction in 2026 before a gradual recovery. As a result, GDP is projected to contract for the fifth consecutive year by 1.5 percent in 2026, reflecting worsening terms of trade stemming from the conflict in the Middle East, energy shortages, and weak demand resulting from reduced purchasing power

of remittances. Yemen's external position will continue to depend heavily on remittances and sustained donor support to finance its largely humanitarian-related import bill, with the current account deficit projected to remain around 3.4 percent of GDP and reserve coverage below adequate levels. Yemen's fragile debt position and limited fiscal space constrain the authorities' ability to respond to shocks, underscoring the critical importance of continued international donor support to maintain vital public services, finance essential imports, and avert a deeper humanitarian crisis. As background, on April 3, 2026, The Executive Board of the IMF concluded the 2025 Article IV consultation with Yemen after a hiatus of more than 11-years.

III. OUR EXPECTATIONS FOR THE IMF AT THIS CRITICAL JUNCTURE

6. **Anchor of macroeconomic surveillance and risk assessment:** We emphasize the Fund's central role in monitoring global macroeconomic, fiscal, and financial risks amid exceptionally high uncertainty. The Fund must remain proactive and agile through vigilant monitoring, robust scenario analysis, spillover assessments, and assessment of the political economy implications of reform. Greater attention is needed to the divergent impact of global developments, particularly on vulnerable EMDEs, LICs, FCSs, and SDSs, as well as to the growing medium-term vulnerabilities arising from depleted policy buffers, rising financing pressures, and accumulated macro-financial risks.

7. **Provider of policy guidance tailored to country circumstances:** The Fund should remain a source of pragmatic, differentiated policy advice that recognizes countries' heterogeneous exposure to shocks and reflects their institutional capacity, financing conditions, fiscal and policy space, and exchange-rate regimes. The conflict in the Middle East has intensified difficult trade-offs between fighting inflation and preserving growth, supporting those most affected by rising living costs and rebuilding fiscal buffers, and addressing immediate needs while safeguarding medium-term sustainability. Monetary, fiscal, financial-sector, and structural policy advice should therefore be carefully calibrated to country circumstances. For countries operating under the peg, greater emphasis should be placed on strengthening monetary policy transmission, developing domestic money markets, and enhancing liquidity management frameworks to support effective policy implementation. Essential social spending and priority investment should be protected, while short-term stabilization should be linked more systematically to institution-building, employment creation, stronger long-term growth, and the mobilization of responsible private investment.

8. **Provider of timely and flexible financial support**: Given the deep uncertainty facing the membership, as well as the scale and breadth of the Middle East conflict's impact, the Fund must stand ready to deploy all its tools to assist members. Fund-supported programs should be sufficiently flexible to respond to evolving circumstances, including through timely recalibration and/or augmentation where warranted. The Fund should also stand ready to provide financing swiftly, including through emergency financing where needed. In FCSs, proactive engagement

with donors is essential to help secure financing assurances and facilitate access to Fund resources, alongside close coordination with financial, humanitarian, and development partners.

9. **Convener and advocate for global policy coordination:** The Fund should continue to provide a platform for countries to confront shared economic challenges and use its convening role to promote international and regional cooperation on energy and food security, debt resolution, financial stability, the macroeconomic and financial implications of AI and emerging technologies, and the economic consequences of displacement. This should include closer coordination with standard setters, donors, development partners, and other international institutions; continued efforts to make sovereign debt restructurings more timely, predictable, and less costly; and support for an open, rules-based global economic system. We also support exploring enhanced collaboration between the IMF and Regional Financing Arrangements in the Middle East and North Africa.

10. **Provider of dependable Capacity Development (CD).** CD is one of the Fund's three core activities. It contributes to revenue mobilization, stronger fiscal institutions, improved financial supervision, and better data and transparency, among others, particularly in countries with weaker institutions. We remain concerned about the adequacy and resilience of CD resources, particularly given the challenging external funding environment and declining ODA. Diversifying the donor base, including through new partnerships and more flexible funding models, remains an important mitigating strategy. Our region benefits from hosting the Middle East Technical Assistance Center (METAC), Middle East Center for Economics and Finance (CEF), and the Saudi Arabia regional office. METAC is central to regional capacity development, supporting fourteen countries—nine of them FCS—making reliable and timely funding for its activities essential.

11. **The Fund must remain a quota-based institution, with each member country's financial relationship, voice, and access to IMF resources firmly anchored in its quota share**. Rapid implementation of the 16th General Review of Quotas is, therefore, essential to maintaining a strong, quota-based, and adequately resourced Fund at the core of the global financial safety net. Looking ahead, the 17th General Review of Quotas and all future reviews should ensure that the quota shares of all EMDEs are at least preserved, if not strengthened. This will be essential to preserving the Fund's fairness, inclusiveness, representativeness, and legitimacy.