Key Messages

April 2026 Regional Economic Outlook Update
Middle East and Central Asia

A major geopolitical shock with potentially significant global repercussions

The outbreak of war in the Middle East on February 28, 2026, has delivered a severe shock to one of the world's most strategically important economic corridors. The ceasefire agreement announced on April 7 is a welcome development and an important step toward a deescalation of the war. However, uncertainty remains exceptionally high and much depends on whether the ceasefire holds and global and regional stability are restored. Given exceptional uncertainty about the war's duration and intensity, the IMF presents a reference scenario, alongside adverse alternatives, to frame risks to the global outlook.

A regional and global energy shock

The Strait of Hormuz—the world's most critical energy chokepoint, through which roughly one-fifth of global oil supply (20–21 million barrels per day) and about one-quarter of global LNG trade normally transit—has been brought close to a standstill.

Strikes and precautionary shutdowns have sharply curtailed oil and gas production across Iraq, Kuwait, Saudi Arabia, and the United Arab Emirates, with estimated losses exceeding 10 million barrels per day of oil and about 500 million cubic meters per day of natural gas. Qatar's Ras Laffan LNG complex, which accounts for roughly 17% of global LNG capacity, has sustained significant damage.

Global growth and inflation implications

Under the reference scenario—which assumes that disruptions begin to fade by mid-2026 and oil prices average ~\$82/barrel—global growth is projected to slow to 3.1% in 2026 and 3.3% in 2027, below the 2000–19 average of 3.7%. In the adverse scenario, with oil prices averaging \$110/barrel in 2026, global growth falls to 2.6%, while global inflation rises to 5.4%.

1.4% *MENAP projected growth in 2026 — 2.3 pp downgrade from Oct. 2025*	*−14.7 pp* *Largest single-country GDP growth downgrade (Qatar) from October*	*\$100+* *Brent crude above \$100/barrel following Strait of Hormuz closure*

Energy markets and services under strain

Disruptions have extended well beyond crude oil. European natural gas prices surged by 60%, exceeding the spike seen after Russia's 2022 invasion of Ukraine. Urea fertilizer prices have risen roughly 40% in futures markets, while aluminum and diammonium phosphate prices have increased by double digits. GCC countries account for more than 40% of global sulfur exports and roughly 20% of ammonia and nitrogen fertilizer exports. Disruptions therefore post significant risks to global agricultural input markets worldwide, particularly for food-import-dependent economies in MENAP, South Asia, and Sub-Saharan Africa.

The economic fallout has also affected services. Air traffic collapsed at major Gulf hubs: departures fell by roughly one-third in Abu Dhabi, about two-thirds in Dubai, and about three-quarters in Doha, while Kuwait City and Manama experienced near-complete suspensions. Maritime insurance premiums surged, shipping routes lengthened, and logistics chains weakened—especially in economies reliant on re-exports, tourism, and transport.

Who is most exposed in MENAP?

The impact is highly uneven. Oman, whose sea access lies entirely outside the Strait of Hormuz, faces only a modest downgrade (around 0.5 percentage point) and is expected to see improved fiscal and current account balances from higher oil prices. By contrast, Qatar faces the steepest revision globally, at almost

15 percentage points from October, reflecting extensive infrastructure damage and near-total disruption of LNG exports.

Oil-importing economies—including Egypt, Jordan, Lebanon, and Pakistan—face compounded vulnerabilities. Egypt and especially Jordan rely on natural gas imports from Israel (roughly 70% of total oil and gas imports for Jordan and about 15% for Egypt), while all four countries depend heavily on remittances from GCC-based workers (about 5% of GDP).

Since the start of the war, sovereign spreads widened moderately, although by more than the average for other emerging markets, with Bahrain and Pakistan increasing by over 50 basis points and Egypt by more than 60 basis points (as of April 6). Egypt's currency depreciated by about 12%, acting as the primary shock absorber.

For the average MENAP emerging-market oil importer, a 10% increase in crude oil prices reduces output by approximately 0.5 percentage point and adds roughly 1 percentage point to inflation and widens both external and fiscal deficits.

5 of 8 *Gulf oil exporters projected to contract in 2026 (Bahrain, Iran, Iraq, Kuwait, Qatar)*	*~2%* *Estimated GDP shortfall below pre-war trend on average for MENAP oil exporters by 2030*	*80%+* *Share of food consumption from imports for Bahrain, Kuwait, Qatar, and UAE*	*~40%* *Desalination share of total water supply in Qatar, Bahrain, and UAE*

Fragile and low-income states: acute crisis

Low-income and fragile states face the most severe humanitarian exposure. In Yemen, Sudan, West Bank and Gaza, Syria, and Somalia, food and beverages already account for 45–50% of total goods imports. More than half the population in Yemen, West Bank and Gaza, Sudan, and Afghanistan is already experiencing food insecurity. Higher import prices risk widening current account deficits, depleting reserves, and amplifying social instability in economies with minimal macroeconomic buffers.

Historical evidence suggests that prolonged wars leave income per capita roughly 15% below pre-conflict trends five years after their onset, while neighboring countries typically experience an immediate per-capita output loss of about 1.5%, followed by a further 6% decline over the subsequent decade.

The Caucasus and Central Asia: resilient but not immune

The Caucasus and Central Asia ended 2025 on a strong footing, with growth of 6.2%, about 0.5 percentage point above expectations. Growth is now projected to slow to 4.8% in 2026, reflecting the fading spillovers from the war in Ukraine and new headwinds from the Middle East conflict. Oil exporters in the region may benefit from higher prices—Turkmenistan from increased energy production, and Azerbaijan and Kazakhstan from indirect effects on non-oil activity. However, inflation remains elevated, averaging about 8 percent, and uneven buffers leave the region exposed to tighter global financial conditions.

Fiscal outcomes are expected to diverge: oil exporters will see improved balances, while most oil importers face deteriorating primary fiscal balances. Public debt remains contained, with the CCA-wide debt-to-GDP ratio projected at 23.4% in 2026, about 3 percentage points below earlier forecasts.

6.2% *CCA region growth in 2025*	*4.8%* *Projected CCA growth in 2026 as tailwinds fade, despite small upward revision since October*	*~8%* *CCA average inflation in 2026 (elevated amid commodity price pressure)*	*23.4%* *CCA public debt-to-GDP for 2026 (3 pp below prior forecasts)*

Policy priorities: disciplined agility

The IMF's core policy message is one of disciplined agility. Governments should allow automatic stabilizers to operate and deploy targeted, temporary support for vulnerable households, financed through reprioritized spending, not deficit expansion. Broad fuel subsidies—already sizable in Algeria and Egypt (about 10%), and Libya (16%), for example—should not be reinstated or expanded.

Central banks facing persistent inflation, particularly where policy stances remain accommodative, should maintain or tighten restrictive stances. Financial supervisors must sharpen oversight of liquidity and foreign-currency mismatches and stand ready with backstops.

Over the medium term, priorities include diversifying trade routes, strengthening critical infrastructure, and deepening regional cooperation on food, water, and energy. GCC economies—home to nearly half of global desalination capacity—need sustained investment in the resilience of water, power, and digital networks. Greater regional integration of electricity and gas markets, harmonized customs systems, and regional liquidity facilities can strengthen shock absorption.

IMF financing and engagement

Since the COVID-19 pandemic, the IMF has approved nearly $46 billion in financing for the MENAP region. Key active programs include Egypt's Extended Fund Facility (approximately $8.1 billion), Pakistan's EFF ($7.2 billion), Morocco's Flexible Credit Line ($4.8 billion), and Jordan's four-year EFF ($1.2 billion). The Fund has expanded its regional presence with a new office in Riyadh and stands ready to scale up financial and capacity development support should downside risks materialize.