Roadmap

Global Environment

MENAP Conflicts

MENAP Oil Exporters

MENAP Oil Importers
Global growth remains lackluster

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>Emerging markets</th>
<th>China</th>
<th>Russia</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.2</td>
<td>2.6</td>
<td>2.0</td>
<td>4.0</td>
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<td>-3.7</td>
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<td>3.1</td>
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<td>4.2</td>
<td>6.6</td>
<td>-0.8</td>
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<tr>
<td>2017</td>
<td>3.4</td>
<td>2.2</td>
<td>1.5</td>
<td>4.6</td>
<td>6.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>
Risks are to the downside—more pronounced from inward-looking policies and secular stagnation, less so from emerging markets.
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- MENAP Oil Exporters
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Conflicts in the MENAP region have resulted in a massive humanitarian crisis.
Conflicts threaten economic stability in the MENAP region

Spillovers from Conflicts

Real Overall GDP Growth (Percent)

Note: Country borders do not imply any judgment on the part of the IMF on the legal status of any territory or any endorsement or acceptance of such boundaries.
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Oil prices are expected to remain low

**Brent Crude Oil Price**
(U.S. dollars per barrel)

WEO Baseline Average Oil Price:
- 2016: $43
- 2017: $51
- 2020: $56

**Crude Oil Production**
(Change relative to previous year, millions of barrels per day)

<table>
<thead>
<tr>
<th>Year</th>
<th>GCC + Algeria</th>
<th>Iran</th>
<th>United States</th>
<th>Libya + Yemen</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
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Sources: Bloomberg; IEA and IMF staff calculations.
Oil exporters are making strides in adjusting their fiscal positions, but much remains to be done…
..and next steps will be harder to implement, especially in an environment of low growth

Note: The vertical and horizontal lines dividing the chart into four quadrants correspond to the median of the respective variables.
Projected financing is expected to shift from asset drawdown to debt issuance—market conditions remain favorable for most

**Financing of Fiscal Deficits**  
*(2016, Percent of GDP)*

**Sovereign Bond Yields**  
*(Percent)*

- Bahrain (BB)
- Oman (BBB-)
- UAE (AA)
- EMBI
- Qatar (AA)

GCC countries:
- BHROMNQAT UAE SAU KWT
- ALG IRN IRQ LBY

- Asset drawdown
- Domestic debt accumulation
- Foreign debt accumulation
- Total deficit
The financial sector should continue to be closely monitored.
Non-oil growth is bottoming out in some countries as fiscal drag eases. Medium-term growth prospects remain subdued.
Implementation of diversification plans can help create employment and support fiscal consolidation.
Oil exporters need to accelerate creation of private sector jobs for rapidly growing populations

Projected Employment in the GCC
(Millions of people)

- Public sector employment
- Private sector employment
- Unemployment
Key Takeaways on MENAP Oil Exporters

• MENAP oil exporters continue to face an exceptionally challenging policy environment of persistently low oil prices and conflicts.

• Fiscal consolidation is progressing, but more remains to be done to place public finances on a sounder footing.

• Some countries announced plans to accelerate diversification away from oil. Such plans should be quickly developed into specific reforms and implemented.

• Business friendly policies are needed to enable the private sector to create jobs necessary to absorb a rapidly growing labor force.

• Policymakers need to remain vigilant about financial stability risks given tightening liquidity and the risk of lower bank asset quality.
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MENAP Oil Importers
Macroeconomic stabilization has advanced with sound policies and lower oil prices.

**Macroeconomic Stability Indicators**

- **Inflation (Percent)**
- **Deficit (Percent of GDP)**
- **Change in Public Debt (Percent of GDP)**
- **Official Reserves (Months of Imports)**
- **Sovereign Credit Ratings (Moody’s rating)**

**2011-13**

**2016**

Note: Movement towards the center indicates improvement. Inflation ranges from zero to 10%; deficit and change in public debt from zero to 10% of GDP; reserves from zero to 12 months of imports; and credit ratings from C to Aaa.
Yet recovery has been weak, and over the medium term MENAP oil importers risk getting stuck in a low-growth equilibrium.
Higher, more inclusive growth and job creation hinges on raising productivity and capital growth.

Long-Term Productivity and Capital Growth 2008-2015
(Percentage points)

Unemployment
(Latest available, percent)
Continued fiscal consolidation can expand room for growth-enhancing investment and social spending while putting debt on sustainable path.
Reforms have led to advances in key structural areas

<table>
<thead>
<tr>
<th>Country</th>
<th>Corruption</th>
<th>Infrastructure</th>
<th>Regulations</th>
<th>Education</th>
<th>Finance</th>
<th>Trade</th>
</tr>
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<tbody>
<tr>
<td>Egypt</td>
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<td>Tunisia</td>
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Improvement from 2007:
- Some (Zero to 10%)
- Large (Between 10% and 20%)

Score in 2016:
- 0 (Worse)
- 10 (Better)

Sources: ICRG, PRS Group; World Bank (only finance indicator); World Economic Forum; and IMF staff calculations.
Note: Sources of structural indicators were chosen based on data availability. Results are broadly robust to using alternative sources.
Reforms need to be accelerated for countries to be able to compete with global peers and further boost inclusive growth and jobs

**Structural Reform Ratings Relative to Global Peers**

*(Arrows begin at 2007 ranking and end at 2016 ranking)*

Sources: ICRG, PRS Group; World Bank (only finance indicator); World Economic Forum; and IMF staff calculations.

Notes: 1. The vertical axis shows the ranking of a country’s performance relative to the performance of their global peers (defined as EMDCs). The 100 ranking reflects the top ranking among EMDCs; a 80 ranking means a country is performing among the top 80 percent of EMDCs, and so on. The arrows demonstrate changes in rankings that reflect changes in countries’ own performance and/or performance of their global peers (defined as EMDCs). 2. Countries without a substantial change in rankings relative to global peers are not shown. 3. Sources of structural indicators were chosen based on data availability. Results are robust to using alternative sources.
Boosting female labor force participation, which is lower than in global peers, is a $1 trillion opportunity.

Gender Gaps in Labor Force Participation¹,²,³

(Percentage points, average 2005-14)

- Defined as male less female labor force participation rate.
- AE: Advanced Economies; DEA: Developing and Emerging Asia; EE: Emerging Europe; LAC: Latin America and the Caribbean.
- If the gap in female participation during the past 10 years had been double (instead of triple) the average gap in emerging market and developing countries, MENAP would have gained $1 trillion in cumulative output.
Key Takeaways on MENAP Oil Importers

• Macroeconomic stabilization is progressing thanks to recent reforms, sound policies, and low oil prices.

• Yet high risk of getting stuck in a fragile, low-growth, high-unemployment equilibrium amid weak external demand and continued regional conflicts.

• Higher, more inclusive growth and job creation hinges on raising productivity and capital investment.

• Growth-friendly fiscal reforms – also needed for debt sustainability – and accelerated structural reforms are key to achieve this.
MENAP outlook is broadly unchanged since last April—subdued growth across the region due to low oil prices and conflicts

Real GDP Growth, 2015-17

<table>
<thead>
<tr>
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<th>Iran</th>
<th>Conflict Countries</th>
<th>MENAP Oil Importers</th>
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<td>4.2</td>
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▼ Indicates a decline in projections relative to April 2016 REO Update
▲ Indicates an increase in projections relative to April 2016 REO Update
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