

1. MENAP Oil Exporters: Need to Push ahead with Fiscal Consolidation and Diversification

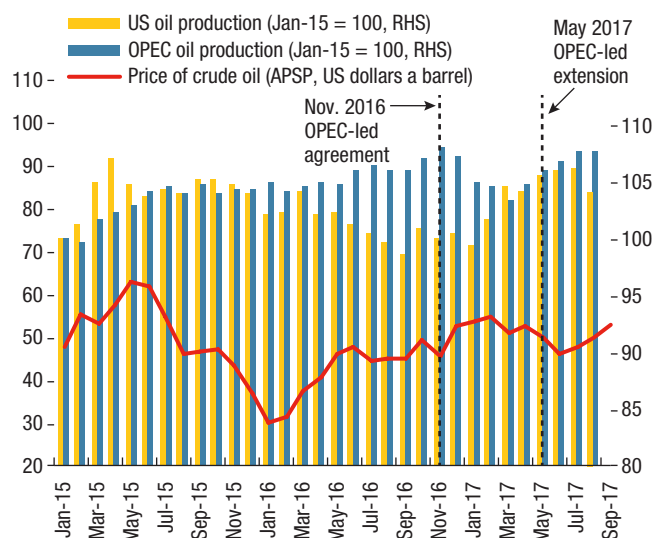
Oil exporters in the Middle East and North Africa, Afghanistan, and Pakistan region (MENAP) are continuing to adjust to lower oil prices, which have dampened growth and contributed to large fiscal and external deficits. Oil prices have softened recently, despite the extension of the production cuts led by the Organization of the Petroleum Exporting Countries (OPEC) and the strengthening global recovery. Non-oil growth is generally recovering, but the muted medium-term growth prospects highlight the need for countries to push ahead with diversification and private sector development. Most countries have outlined ambitious diversification strategies and are developing detailed reform plans, but implementation should be accelerated, particularly to exploit the stronger global growth momentum. Oil exporters should continue pursuing deficit-reduction plans to maintain fiscal sustainability and, where relevant, to support exchange rate pegs. Some countries will need to identify additional fiscal consolidation measures, while protecting social and growth-oriented expenditures. Financial stability risks appear low, although pockets of vulnerabilities remain. The outlook for countries in conflict remains highly uncertain, with growth dependent on security conditions.

Oil Prices Projected to Remain around Current Levels

Oil prices are trading between \$50–\$60 a barrel, an increase from last year’s average of \$43 a barrel (Figure 1.1). In May 2017, OPEC and several non-OPEC producers extended their agreement to reduce oil production until the first quarter of 2018. However, despite the extended agreement, the oil price outlook has been revised downward since the May 2017 *Regional Economic Outlook*:

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Figure 1.1. Oil Prices and Production
(APSP¹, US dollars a barrel and production index)



Sources: U.S. Energy Information Administration; and International Energy Agency.

Note: RHS = right scale.

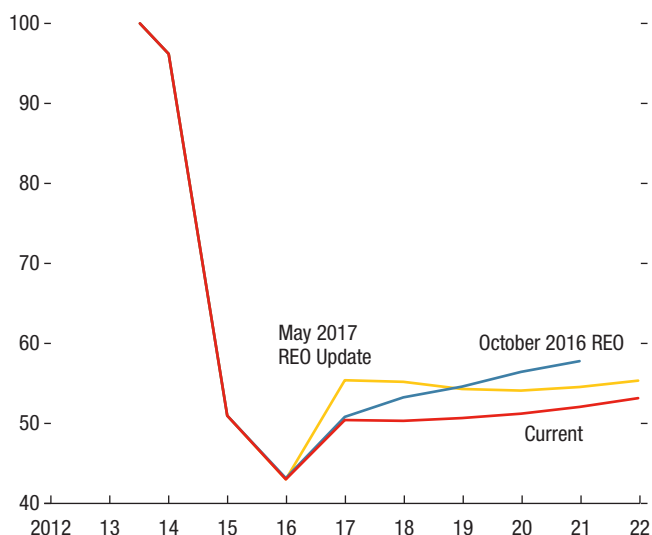
¹APSP = average petroleum spot price—average of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil prices.

Middle East and Central Asia Update (Figure 1.2; see also the Special Feature on Commodity Markets in the October 2017 *World Economic Outlook*), with the IMF’s medium-term oil price assumption, based on the futures market, remaining broadly around current levels.

Growth Prospects Are Muted

Fiscal consolidation, oil production, and regional conflicts have been the key determinants of growth in MENAP oil-exporting countries. Spillovers from the low oil price environment continue to weigh on non-oil growth, which is expected to remain below historical averages (Figure 1.3). Among Gulf Cooperation Council (GCC) members, overall growth is projected to bottom out at about 0.5 percent in 2017 as the OPEC-led deal reduces oil output. In contrast,

Figure 1.2. Oil Price Assumptions
(APSP¹, US dollars a barrel)



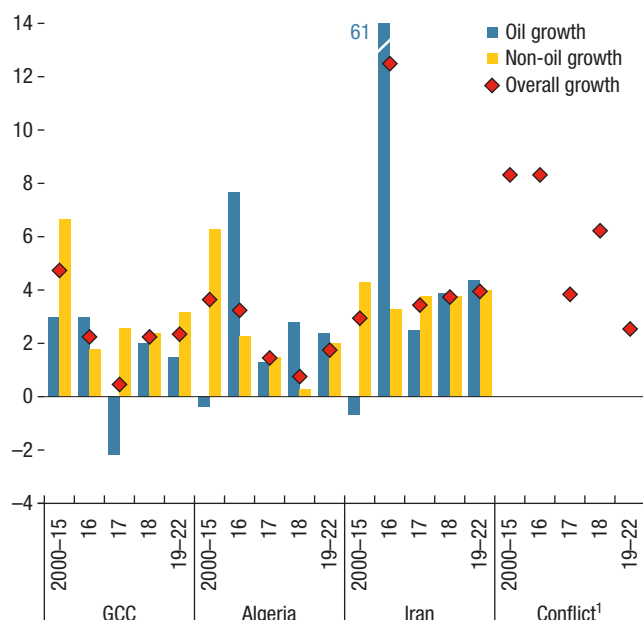
Source: IMF staff calculations.
Note: REO = *Regional Economic Outlook: Middle East and Central Asia*.
¹APSP = average petroleum spot price—average of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil prices.

non-oil growth is expected to recover to about 2.6 percent in 2017–18 as fiscal consolidation, which has weighed significantly on growth over the past couple of years (Figure 1.4), generally slows.¹ Nevertheless, the projections for both oil and non-oil growth are slightly weaker than the projections in the May 2017 *Regional Economic Outlook: Middle East and Central Asia Update*.

Low oil prices are also expected to dampen medium-term growth—GCC non-oil growth is projected to be modest at 3.4 percent in 2022, about half of the 6.7 percent of 2000–15. GCC countries with larger buffers, such as Kuwait and the United Arab Emirates, are adjusting their fiscal positions gradually. This is allowing them to keep non-oil growth broadly steady. The diplomatic rift between Qatar and several other countries is expected to have a limited impact on growth in the region at this stage (Box 1.1), although a protracted rift could weaken medium-term growth

¹Non-oil primary balances improved by 11.5 percent between 2014 and 2016, but are expected to improve only by 5.3 percent between 2016 and 2018.

Figure 1.3. Real GDP Growth
(Percent, weighted by GDP PPP)

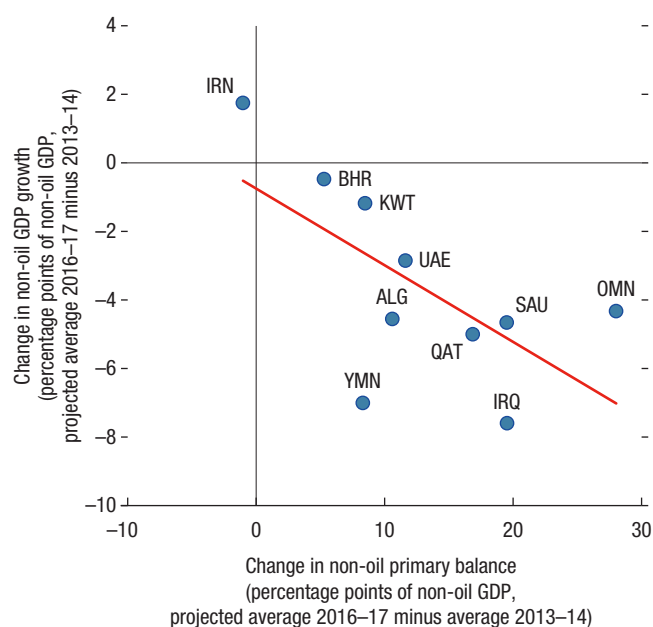


Sources: National authorities; and IMF staff calculations.
Note: GCC = Gulf Cooperation Council; PPP = purchasing power parity.
¹Conflict countries include Iraq, Libya, and Yemen.

prospects, not only for Qatar but also for other GCC countries.

Among non-GCC oil exporters, Algeria’s growth is expected to bottom out at 0.8 percent next year as a consequence of envisaged spending cuts, and to recover to 2.4 percent by 2022. Iran has revised its 2016 GDP growth from 6.5 percent to 12.5 percent as a result of methodological changes in its measurement and an upward revision of non-oil growth. This year, however, Iran’s growth is projected to drop to 3.5 percent, as the post-sanctions boost to oil output wears off.

The outlook for MENAP oil exporters in conflict continues to be dominated by security conditions and oil production capacity. Libya’s oil output increased to 1 million barrels a day (mbd) in the middle of 2017, significantly up from some 0.4 mbd last year. In Iraq, oil production increased considerably in 2016, and has stayed flat this year to date. Progress in the fight against ISIS will help the non-oil economy resume its growth, although a tighter 2017 budget to compensate for previous

Figure 1.4. Fiscal Consolidation Has Dampened Growth

Source: IMF staff calculations.

Note: The removal of subsidies may not be fully captured in the non-oil primary balance for Bahrain. Country abbreviations are International Organization for Standardization (ISO) country codes.

fiscal slippages has led to a downward revision to Iraq's projected 2017 non-oil growth relative to the May 2017 *Regional Economic Outlook: Middle East and Central Asia Update*. Yemen's economy is expected to contract again this year. Over the medium term, growth among MENAP oil exporters in conflict is projected to slow, as the considerable recent increase in oil production limits the scope for further gains.

Gradual Fiscal Consolidation Should Continue

Lower oil prices have contributed to large fiscal deficits across MENAP oil exporters. Deficits jumped from 1.1 percent of GDP in 2014 to 10.6 percent of GDP in 2016, but are expected to ease to 5.2 percent of GDP this year on the back of a modest recovery in oil prices and significant deficit-reduction efforts. Five-year cumulative budget deficits are projected to be \$320 billion over 2018–22.

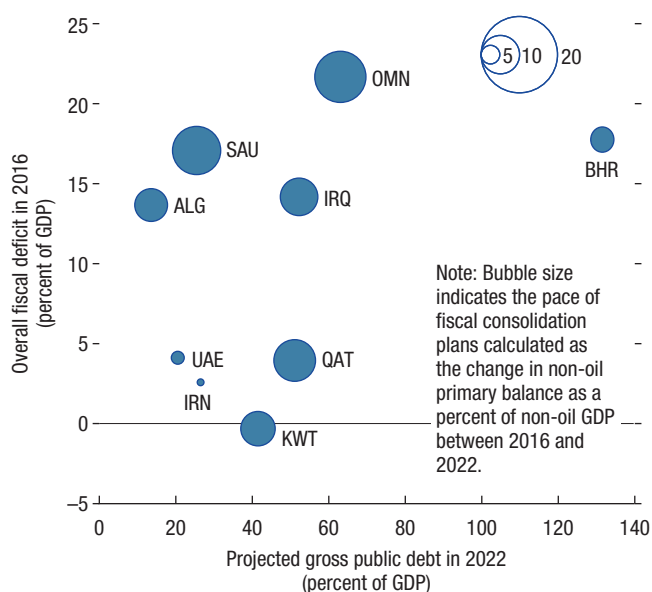
Nevertheless, progress is uneven across MENAP oil exporters (Figure 1.4) and, three years after the initial oil price drop, fiscal positions and prospects have diverged. About half of MENAP oil exporters (Iran, Kuwait, Qatar, United Arab Emirates) had fiscal deficits of less than 5 percent of GDP in 2016, while the other half had deficits well above 10 percent of GDP (Figure 1.5). The countries with low deficits typically have substantial buffers (Kuwait, Qatar, United Arab Emirates), or are less dependent on oil revenues (Iran), and are planning a gradual fiscal adjustment to the lower oil price environment. Algeria and Saudi Arabia have announced ambitious consolidation plans, although they could adjust more gradually in the short term so as to limit the adverse impact on growth. Other countries, however, should do more to put debt on a downward path (Bahrain, Oman). Iraq's ambitious fiscal plans, underpinned by an IMF Stand-By Arrangement, target a balanced budget and debt reduction over the medium-term. None of the MENAP oil exporters—even countries with projected medium-term surpluses—are accumulating sufficient resources to protect the economic well-being of future generations once hydrocarbon resources are exhausted.

Fiscal consolidation plans in the GCC region include measures ranging from further reductions in non-wage recurrent spending, reductions in public wage bills as a share of GDP, additional cuts to capital expenditures, and higher non-oil revenues, particularly the introduction of value-added taxes (projected to start being introduced in January 2018) and excise taxes (Figure 1.6).² Policymakers also need to take advantage of low oil prices to finalize energy price reforms.³ In non-GCC countries, Iraq's planned

²In general, growth-friendly fiscal consolidation should include higher non-oil revenues, which at present remain very low across the region (IMF 2016a), targeted cuts to current expenditures, continued reform of energy subsidies while protecting vulnerable segments of the population, and greater public investment efficiency. Country circumstances will in general determine the optimal mix of such measures. See Sommer and others 2016 for more detail.

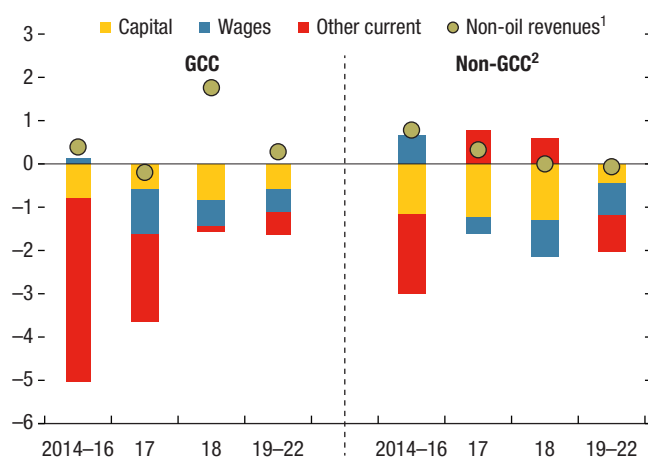
³MENAP oil exporters have significantly reduced energy subsidies in recent years, reflecting both lower global oil prices and new local fuel price frameworks. In the GCC region, pre-tax energy subsidies are estimated to have declined from \$116 billion in 2014

Figure 1.5. Diverging Fiscal Positions



Source: IMF staff calculations.
 Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

Figure 1.6. Change in Expenditure and Non-oil Revenue
 (Percent of non-oil GDP, change from prior year, simple average across countries)



Source: IMF staff calculations.
¹Gulf Cooperation Council (GCC) non-oil revenue series excludes Kuwait because of discontinuities in its series related to United Nations compensation payments.
²Includes Algeria, Iran, and Iraq.

consolidation is primarily based on further cuts to public investment and wage restraint. In Algeria, most of the adjustment also focuses on spending, particularly public investment. In Iran, fiscal efforts include broadening of the revenue base to reduce dependence on oil receipts. This would also create fiscal space for rising spending pressures related to aging, potential bank recapitalization costs, and interest payments arising from the securitization of arrears.

Fiscal consolidation is supported by continued improvements in fiscal frameworks and institutions. In this regard, substantial progress has been made in establishing medium-term budgetary frameworks in Algeria, Kuwait, Qatar, and Saudi Arabia, as well as in the United Arab Emirates at both the federal and emirate levels. Macro-fiscal units are now operational in Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Iraq has made progress in identifying and addressing arrears and state guarantees. Technical assistance from the IMF is helping

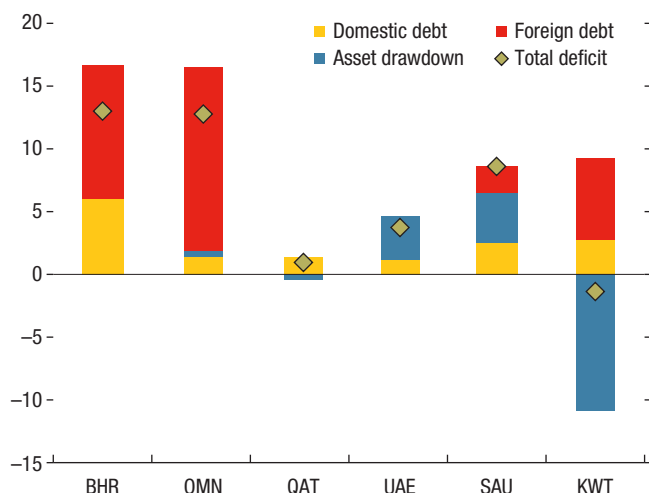
to \$47 billion in 2016 (IMF 2017). Compensation mechanisms are being introduced in Oman (for regular fuel) and Saudi Arabia (for energy) along with further changes to pricing frameworks.

countries in these areas. A new model for public wage bill management—emphasizing good diagnostics, complementarities with other reforms, and supportive institutions—is needed to boost inclusive growth and fiscal sustainability across the region (Tamirisa and others, forthcoming). More broadly, strengthening public financial management, including improving transparency and accountability, would support the fiscal consolidation efforts and could generate additional fiscal space. Saudi Arabia has started publishing quarterly fiscal reports, significantly increasing fiscal transparency.

Debt Issuance Remains the Main Source of Deficit Financing

MENAP oil-exporting countries continue to issue debt to meet their budget financing needs. Countries with market access have tapped significant amounts from international markets—in the first half of 2017, GCC countries issued some \$30 billion, as conditions in international financial markets remain favorable (Figure 1.7).

Figure 1.7. Projected Financing Needs in the GCC,¹ 2017
(Percent of GDP)



Source: IMF staff calculations.

Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

¹Borrowing beyond the amount of the fiscal deficit implies maturing medium- and long-term debt that needs to be refinanced; the refinancing of Treasury bills is excluded. Negative values imply authorities are building buffers.

While issuing internationally avoids crowding out credit to the private sector, especially given limited capacity of domestic financial markets, issuing domestically can help support gradual financial market development (for example, Saudi Arabia). Greater reliance on domestic financing would also reduce the consequences of a deterioration in international market conditions. In some instances, countries have tapped international markets to rebuild buffers.

In general, borrowing and investment decisions should be made as part of a comprehensive asset-liability management strategy that takes into account macro-financial developments and risks.⁴ To help support that approach, debt management offices have been established in Kuwait, Oman, and Saudi Arabia and strengthened in Abu Dhabi and Dubai. Risks can be reduced by issuing longer maturity debt (for example, Oman issued a 30-year bond in March 2017), although there are trade-offs with respect to cost. Outside of the GCC region, domestic debt issuance (including

⁴See Chapter 5 of the October 2016 *Regional Economic Outlook: Middle East and Central Asia*.

some monetization of the deficit) has been the preferred financing strategy because external financing options are more limited (Iran, Iraq, Libya, Yemen).

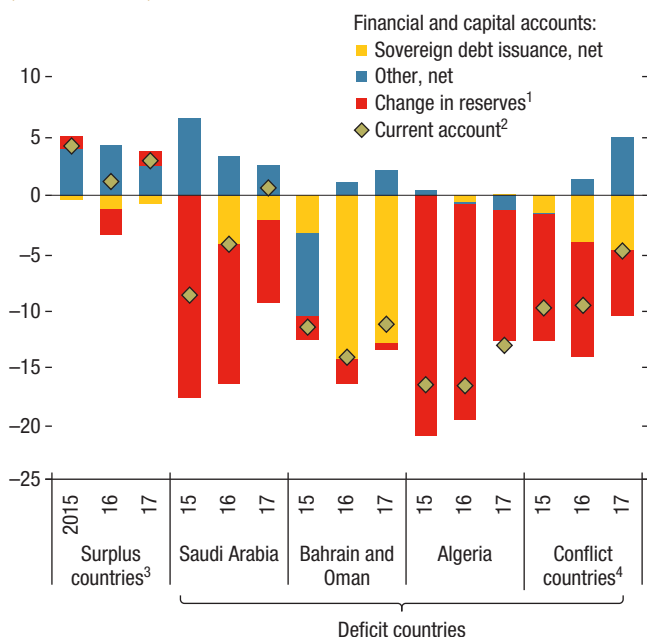
Private Capital Could Help Close External Gaps

Reflecting lower oil prices, the current account balance for MENAP oil exporters swung from a surplus of \$228 billion in 2014 (8.8 percent of GDP) to a deficit of \$77 billion in 2016 (3.6 percent of GDP) (Figure 1.8). The aggregate current account balance is projected to return to a small surplus in 2019. However, countries with persistent deficits, low financial buffers, and limited exchange rate flexibility face external financing challenges. These developments underscore the importance of continued fiscal consolidation to help support fixed exchange rate regimes and structural reforms to attract foreign private capital. In this context, improvements have been made with respect to easing access for foreign investors to capital markets (such as in Saudi Arabia). However, adoption of new foreign investment laws has been delayed in some countries (Oman, United Arab Emirates). Other reforms to increase competitiveness and boost diversification would also contribute to narrowing the external deficits (see section below on structural reforms). Depending on cyclical conditions, tighter monetary policy can also support external adjustment in countries without exchange rate pegs by attracting additional portfolio flows.

Continued Financial Sector Resilience

Financial sectors have so far remained broadly resilient in the face of lower hydrocarbon prices. Banks in the GCC region and Algeria remain well capitalized, with capital adequacy ratios generally well above the regulatory minimums, and profitable. However, there are some pressures, with bank profitability continuing to weaken

Figure 1.8. Current Account Financing
(Percent of GDP)



Sources: Country authorities; and IMF staff calculations.

¹Net (+ = increase).

²Differences between the current account and sum of financing items are due to valuation effects and errors and omissions.

³Countries with current account for 2014–17 on average in surplus; includes Iran, Kuwait, Qatar, and United Arab Emirates.

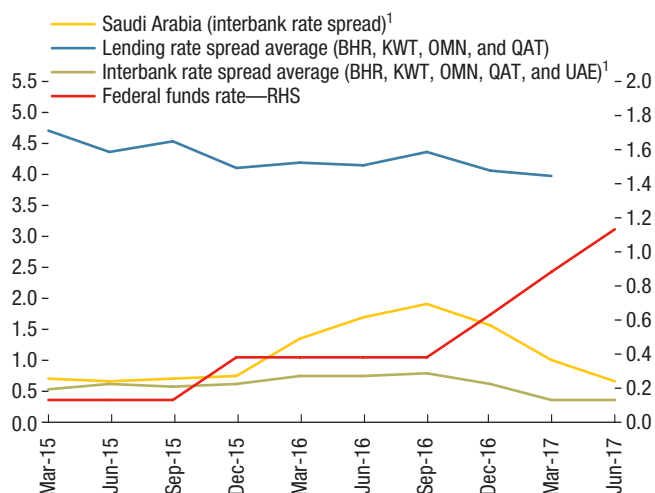
⁴Iraq, Libya, and Yemen.

in some countries, including because of higher impairment costs (United Arab Emirates) and compressed interest rate margins amid intensified competition for deposits (Oman). While the share of nonperforming loans has barely changed in most GCC countries, it has edged up in Algeria, and the risk of deteriorating asset quality remains, with some increase in special mention loans (Oman) and rescheduled loans (United Arab Emirates). Banking systems remain weak in Iraq and Iran. Iraq is focusing on developing a strategy to address challenges faced by state-owned banks; in Iran, bank reform is underway and will require recapitalization and restructuring.

Most GCC central banks have hiked domestic policy rates in tandem with the US Federal Reserve, leading to an increase in interbank and lending rates. However, the modest increase in oil prices and associated easing of government cash constraints, have helped lessen liquidity pressures

Figure 1.9. Interbank and Lending Rates versus US Federal Funds Rate

(Annualized rates, spreads vis-à-vis the US federal funds rate)



Sources: Haver Analytics; and IMF, *International Financial Statistics*.

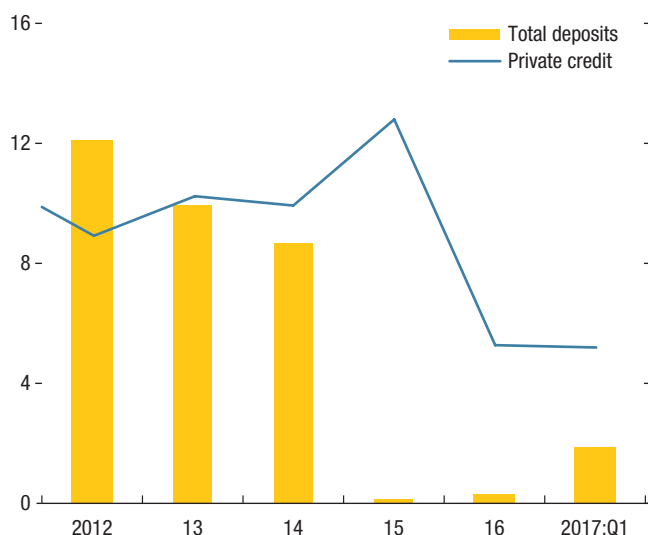
Note: RHS = right scale. Country abbreviations are International Organization for Standardization (ISO) country codes.

¹The interbank series correspond to three-month rates, excluding Oman, where the overnight rate was used.

in some countries—notably Saudi Arabia and the United Arab Emirates—and interbank (and lending) rate spreads have narrowed, limiting the full pass-through of higher policy rates (Figure 1.9). The modest improvement in liquidity can also be seen in improving deposit growth (Figure 1.10). Nevertheless, non-resident deposits and wholesale funding remain an important funding source for banks—especially in the United Arab Emirates and Qatar (Box 1.1), exposing them to changes in global liquidity conditions. Following last year’s broad-based deceleration, private sector credit growth has stabilized in the GCC region and Algeria (Figure 1.10). However, it remains substantially slower compared with the pre-oil shock period.

Policymakers continue to make progress in enhancing their liquidity and prudential policy frameworks. Examples include reintroducing refinancing instruments (Algeria), imposing liquidity requirements (Bahrain), introducing an interbank benchmark rate (Oman), deepening domestic capital markets (Saudi Arabia),

Figure 1.10. Credit and Deposit Growth in GCC and Algeria
(Percent change, year over year, simple averages)



Sources: Haver Analytics; and IMF staff calculations.

enhancing macroprudential frameworks (Bahrain, Qatar, Saudi Arabia), introducing a new corporate governance framework for Islamic banks (Kuwait), working to develop liquidity provision tools for Islamic banks (Oman), and drafting new central bank and banking laws (Iran, United Arab Emirates).

Low oil prices, combined with the ongoing cycle of US interest rate increases, will continue to put pressure on bank asset quality, affecting banks' ability to supply credit to the private sector and contributing to weaker growth. As such, deepening domestic capital markets should be a priority reform area to ensure adequate funding for development of the non-oil sector. Policymakers should consider how best to leverage the opportunities presented by rapid technological innovations in the financial sector, including to enhance access to finance, while managing the associated risks (Chapter 5).

Pushing ahead with Structural Reforms

The reality of lower oil prices has made it more urgent for oil exporters to move away from a focus on redistributing oil receipts through public sector spending and energy subsidies. To this end, MENAP oil exporters have outlined ambitious diversification strategies, but medium-term growth prospects remain below historical averages amid ongoing fiscal consolidation. This further highlights the need to speed up implementation of structural reforms, including to leverage the window of opportunity represented by the cyclical upturn in global growth.⁵

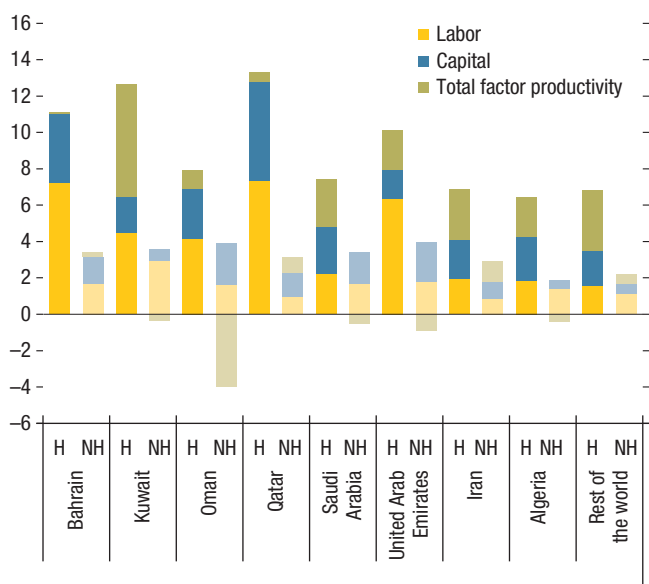
Apart from concerns about fiscal sustainability and growth performance, the existing development model has provided disappointing productivity gains—the key long-term driver of living standards.⁶ A recent IMF (2016b) study finds that, relative to other countries, productivity in the GCC region tends to contribute little to growth, while labor contributes significantly more (Figure 1.11). This finding reflects policies that favor the employment of low-wage foreign workers in the private sector, accompanied by high wages for nationals working in the public sector. The study also finds that, globally, there is a positive association between capital and productivity contributions to growth during high-growth periods, suggesting productivity gains increase business profitability and promote private investment, and vice versa. Interestingly, while the composition of growth in Algeria and Iran conforms closely to the typical global pattern, the productivity-investment link is largely absent in the GCC region.

These findings underscore the importance of labor market and education reforms in fostering diversification and private sector development. For instance, Saudi Arabia is reforming training and education systems, better targeting wage subsidies, increasing labor fees on expatriate

⁵Chapter 4 discusses in more detail the growth implications of successful diversification strategies that boost trade.

⁶See Adler and others 2017, and Mitra and others 2016.

Figure 1.11. Growth Accounting
(Average contributions to growth)



Source: IMF 2016b.

Note: H = high-growth period; NH = non-high-growth period.

Growth episodes cover 1970–2014. A high-growth episode denotes growth greater than 4 percent per year for at least five consecutive years; otherwise, the period is considered a non-high-growth episode.

workers (to reduce the wage gap between Saudis and expatriates), and refining the employment quota system (Nitaqat) by introducing programs that require all employees in certain sectors to be nationals. Nevertheless, across the GCC region, attracting skilled expatriate workers will remain key to maintaining competitiveness, and labor market reforms should aim to increase productivity and incentives for nationals to work in the private sector. To this end, Bahrain, Qatar, and the United Arab Emirates have made welcome reforms to their visa systems, allowing greater internal mobility of expatriate workers. A new draft law in Qatar would grant some expatriate workers permanent residency. Countries where the visa system still limits the mobility of expatriates would benefit from similar reforms. Iran and Oman are taking steps to better align their education and training system with the needs of employers, including the introduction of entrepreneurship courses in school curricula (Iran). However, the anticipated modernization of labor laws in Oman is still pending. Increasing formality

and labor market participation, especially among women, would benefit productivity and growth across the region. Overall, improvements to labor market functioning and education systems will likely entail fiscal costs, which enhances the case for growth-friendly fiscal consolidation as described in the fiscal section (footnote 2).

Policymakers are also taking steps to improve the business environment more generally to encourage private investment and job creation. Such growth-enhancing reforms have taken on more urgency given the needed fiscal consolidation. In Algeria, the government started fleshing out a broad strategy to reshape the country's economic model toward private sector-led growth. In Iran, the Sixth National Development Plan aims to develop the private sector and reduce oil dependency. The GCC countries have already launched ambitious national development strategies, and authorities are now proceeding to the implementation phase. One of the key tasks in this respect will be to embed these strategies into sound medium-term macroeconomic frameworks. In Saudi Arabia, policymakers are formulating specific policies to implement Vision 2030, with a monitoring system built around key performance indicators. Oman and the United Arab Emirates have similarly introduced key performance indicators, while Qatar's second national development strategy also emphasizes robust monitoring and evaluation. The role of the private sector is being further expanded through privatization programs (in 16 sectors in Saudi Arabia, including the potential sale of parts of ARAMCO, and in Oman), and the development of public-private partnerships (Algeria, Oman, Qatar, Saudi Arabia, United Arab Emirates). Saudi Arabia recently launched the "Removing Obstacles to the Private Sector Program" to improve the business environment. A number of important reforms have been implemented under this program, including measures to develop capital markets, expedite customs clearance, update competition law, and institute a commercial mortgage law. Other measures close to completion include insolvency and competition laws. In other countries, progress includes setting up one-stop

windows for business registration and licensing (Kuwait, Oman, Qatar), expediting customs processes (Bahrain, Oman), protecting minority investors (Saudi Arabia, United Arab Emirates), undertaking initiatives to foster the development of small and medium enterprises (Algeria, Oman), and enhancing access to finance (Bahrain, Oman, United Arab Emirates).

Going forward, further efforts to improve governance and transparency, strengthen accountability, and increase government efficiency would also help bolster private sector confidence (World Bank 2017). Improving governance and addressing corruption risks remain important challenges especially in the countries affected by conflicts (see Box 2.1 of the October 2016 *Regional Economic Outlook: Middle East and Central Asia*).

Downside Risks Cloud Prospects

Growth risks for MENAP oil exporters remain tilted to the downside. Considerable uncertainty

surrounds the oil price outlook, but, on balance, risks from oil price volatility appear more on the downside given the substantial fiscal and current account deficits. Downside risks from regional conflicts and geopolitical developments, including the diplomatic rift between Qatar and other countries, also remain. There are also other, more global, risks that could affect the region, such as a possible shift toward inward-looking policies in advanced economies. This shift could affect global growth, impacting MENAP oil exporters, especially if these policies drive oil prices lower. A faster-than-anticipated normalization of monetary policy in the United States could lead to a more rapid tightening of global financial conditions and a sharp US dollar appreciation, increasing the cost and reducing the availability of international financing, especially for lower-rated countries, and strengthening the case for fiscal consolidation. In contrast, global upside risks—including a stronger and more durable global recovery—would contribute to higher growth in the region.

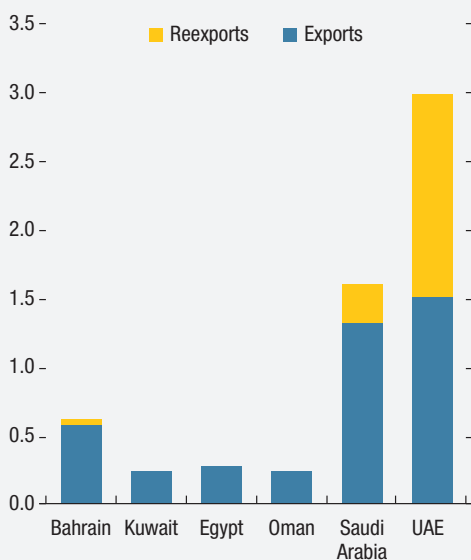
Box 1.1. Economic Implications of the Diplomatic Rift with Qatar

After the initial shock of the June 5 measures, the Qatari economy and financial markets are adjusting to the impact of the diplomatic rift.

A number of countries, including Bahrain, Egypt, Saudi Arabia, and the United Arab Emirates, severed diplomatic and economic ties with Qatar on June 5, 2017. These four countries also closed their airspace to Qatar Airways flights, and Qatar’s land border with Saudi Arabia has been closed. Some banks in the region also curtailed transactions with clients linked to Qatar.

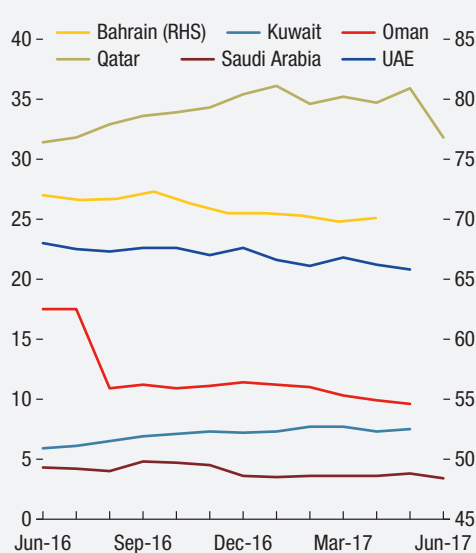
The economic impact of the standoff has been felt in Qatar through disruptions in trade and financial flows. About one-sixth of the country’s imports are produced in countries imposing trade restrictions, and a significant portion of other imports transit through Saudi Arabia and the United Arab Emirates (Figure 1.1.1). Some trade has been re-routed through Kuwait and Oman, and alternative food supply sources have been established, allaying fears of potential shortages. The initial concern that trade disruptions could affect the implementation of key infrastructure projects has been mitigated by the availability of an inventory of construction materials and of alternative, and competitive, sources of imports. In addition, Qatar is accelerating efforts to further diversify sources of imports and external financing, and to enhance domestic food processing.

Figure 1.1.1. Exports and Reexports to Qatar, 2016¹
(Billions of US dollars)



Sources: UN Comtrade; and IMF staff calculations.
Note: UAE = United Arab Emirates.
¹Kuwait and Saudi Arabia data are for 2015.

Figure 1.1.2. GCC Banks’ Reliance on Foreign Funding
(Foreign liabilities to total liabilities, percent)



Source: National authorities.
Note: GCC = Gulf Cooperation Council; RHS = right scale; UAE = United Arab Emirates.

This box was prepared by Olumuyiwa Adedeji, Mohammed El Qorchi, Stéphane Roudet, and Sohaib Shahid. Research assistance was provided by Brian Hiland.

Box 1.1 *(continued)*

Some financial pressures have emerged. The downgrade of Qatar's sovereign credit rating and outlook has raised interbank interest rates, and private sector deposits (both resident and non-resident) have declined. Liabilities to foreign banks have also fallen (Figure 1.1.2). The impact on banks' balance sheets has thus far been mitigated by liquidity injections by the Qatar Central Bank and increased public sector deposits. Banks are proactively focusing on securing additional long-term funding for their operations.

The economic impact in the rest of the region, including in the Gulf Cooperation Council (GCC) countries, appears to have been muted thus far. Qatar's exports to these countries have been broadly maintained, including large volumes of gas supplied to Oman and the United Arab Emirates. Reactions in GCC financial markets have also been benign, with initial spillovers rapidly dissipating. Over the longer term, a protracted rift could slow progress toward greater GCC integration and cause a broader erosion of confidence, reducing investment and growth and increasing funding costs in Qatar and possibly the rest of the GCC.

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MENAP Oil Exporters: Selected Economic Indicators

	Average 2011–13	2014	2015	2016	Projections	
					2017	2018
Real GDP Growth	5.1	2.6	2.1	5.6	1.7	3.0
(Annual change, percent)						
Algeria	3.7	3.8	3.7	3.3	1.5	0.8
Bahrain	5.1	4.4	2.9	3.0	2.5	1.7
Iran	3.3	3.2	-1.6	12.5	3.5	3.8
Iraq	...	0.7	4.8	11.0	-0.4	2.9
Kuwait	5.1	0.6	2.1	2.5	-2.1	4.1
Libya	4.3	-53.0	-10.3	-3.0	55.1	31.2
Oman	3.8	2.5	4.2	3.0	0.0	3.7
Qatar	11.7	4.0	3.6	2.2	2.5	3.1
Saudi Arabia	4.2	3.7	4.1	1.7	0.1	1.1
United Arab Emirates	4.9	3.3	3.8	3.0	1.3	3.4
Yemen ¹	3.1	-0.2	-28.1	-9.8	-2.0	8.5
Consumer Price Inflation	7.5	5.8	5.4	4.7	4.4	6.1
(Year average, percent)						
Algeria	3.8	2.9	4.8	6.4	5.5	4.4
Bahrain	1.7	2.7	1.8	2.8	0.9	3.5
Iran	18.2	15.6	11.9	9.0	10.5	10.1
Iraq	15.3	2.2	1.4	0.4	2.0	2.0
Kuwait	3.2	3.1	3.7	3.5	2.5	2.7
Libya	5.1	2.4	9.8	27.1	32.8	32.1
Oman	2.7	1.0	0.1	1.1	3.2	3.2
Qatar	4.4	3.4	1.8	2.7	0.9	4.8
Saudi Arabia	2.2	2.7	2.2	3.5	-0.2	5.0
United Arab Emirates	4.2	2.3	4.1	1.8	2.1	2.9
Yemen ¹	11.5	8.2	39.4	5.0	20.0	29.5
General Gov. Overall Fiscal Balance	6.2	-1.1	-9.3	-10.6	-5.2	-4.1
(Percent of GDP)						
Algeria	3.7	-8.0	-15.7	-13.7	-3.5	-1.2
Bahrain ²	-0.9	-1.6	-18.4	-17.8	-13.2	-11.9
Iran ³	1.6	-1.1	-1.8	-2.6	-2.2	-2.2
Iraq	...	-5.4	-12.3	-14.1	-5.1	-4.7
Kuwait ²	28.8	22.3	5.8	0.3	1.5	1.5
Libya	11.7	-73.8	-126.6	-102.7	-43.0	-23.3
Oman ²	8.6	-1.1	-15.7	-21.6	-13.0	-11.4
Qatar	10.3	15.3	5.6	-3.9	-1.0	0.5
Saudi Arabia	8.0	-3.4	-15.8	-17.2	-8.6	-7.2
United Arab Emirates ⁴	7.7	1.9	-3.4	-4.1	-3.7	-2.2
Yemen ¹	-3.0	-4.1	-10.6	-13.5	-9.9	-6.6
Current Account Balance	12.9	8.8	-3.5	-3.6	-0.4	-0.2
(Percent of GDP)						
Algeria	12.5	-4.4	-16.5	-16.5	-13.0	-10.8
Bahrain	6.4	4.6	-2.4	-4.7	-4.6	-4.2
Iran	5.0	3.2	2.4	4.1	5.1	5.9
Iraq	...	2.6	-6.5	-8.7	-6.3	-6.7
Kuwait	33.3	33.4	3.5	-4.5	-0.6	-1.4
Libya	23.7	-78.4	-52.6	-22.4	1.8	9.8
Oman	8.7	5.8	-15.5	-18.6	-14.3	-13.2
Qatar	20.8	24.0	8.4	-4.9	2.3	1.0
Saudi Arabia	16.8	9.8	-8.7	-4.3	0.6	0.4
United Arab Emirates	10.3	13.3	4.7	2.4	2.1	2.1
Yemen ¹	0.0	-1.7	-5.5	-5.6	-2.3	-2.4

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

Note: Variables reported on a fiscal year basis for Iran (March 21–March 20).

¹2018 projection is based on hypothetical assumption that conflict ends in early 2018.

²Central government.

³Central government and National Development Fund excluding Targeted Subsidy Organization.

⁴Consolidated accounts of the federal government and the emirates Abu Dhabi, Dubai, and Sharjah.