Outlook: From Global to Regional
The broad-based global recovery continues

Global Growth Developments
(Arrows represent direction of revision since Oct. 2017 WEO)
Growth recovering in oil-exporting countries

Real GDP Growth (Percent)

GCC

Other Oil Exporters

2000-10

— Median □ Inter-quartile range ▼ Range

2016 17 18 19 20-22

-4 -2 0 2 4 6 8

2000-10

-40 -20 0 20 40 60
Continuing, but fragile, growth recovery in oil-importing countries

Real GDP Growth (Percent)

MENAP Oil Importers

MENAP Oil Importers with IMF Programs

Median
Inter-quartile range
Range
Developments in conflict countries remain volatile

**Real GDP Growth (Percent)**

- **Iraq**
- **Libya**
- **Yemen**

Sources: National authorities and IMF staff calculations.
The region is not fully benefitting from the favorable global growth upswing...

2018-22 Average Growth
(Real GDP Growth, in percent)

GDP per Capita Relative to Peers¹
(In Percent)

¹Per capita GDP for GCC countries is shown relative to Advanced Economies; for the other country groups it is shown relative to Emerging Market and Developing Economies.
What Next?

Strengthen Growth and Resilience
External demand and some gains in competitiveness are supporting factors.
The outlook for oil prices remains uncertain, weighing on the growth of oil exporters.
Geopolitical tensions remain a drag on growth in MENAP

The Economic Intelligence Unit’s Security and Political Risk Index
(Index 1-5, from lowest to highest)

Source: Economist Intelligence Unit.
Notes: Index based on the EIU rating of individual countries.
Debt levels increased, limiting scope to use fiscal policy to stimulate growth.

Total Public Debt in 2011 vs. 2017
(Percent of GDP)

- Rest of the World
- MENAP Oil Importers
- MENAP Oil Exporters

45° line

Bar chart showing:
- MENAP Oil Exporters in 2011 and 2017
- MENAP Oil Importers in 2017
Borrowing conditions could become more challenging

U.S. Libor Interest Rate (In percent)

Cumulative Fiscal Deficits 2018-22 (Billion, US dollars)

International Debt Maturing in 2018-22 (In percent of GDP)

Sources: National authorities, Dealogic, and IMF staff calculations.
Need to maintain fiscal adjustment, but room to make it more growth-friendly

Fiscal Deficit for MENAP
(In percent of GDP)
Despite subsiding inflationary pressures, little scope for accommodative monetary policy

**Inflationary Pressures Subsiding**
(Weighted averages, CPI, percent change, year average)

**Selected Policy Rates**
(Percent)

- Jordan
- Bahrain
- Saudi Arabia
- Egypt (rhs)
- Qatar (rhs)
- Tunisia (rhs)
- Pakistan (rhs)
More needs to be done to increase access to finance by the private sector

Private Credit Growth (Percent, year-over-year)

Non Performing Loans (Percent of total loans)

Notes: Latest available data for each country.
The Way Forward: *Promote Inclusive Growth*
Promote a dynamic private sector by reducing red tape and strengthening institutions

Challenges to Doing Business
(Percent of countries identifying the constraint among the top five)

- Restrictive labor regulations
- Access to finance
- Inadequately educated work force
- Inefficient govt bureaucracy
- Poor work ethic in national labor force
- Policy Instability
- Corruption
- Inadequate supply of infrastructure
- Insufficient capacity to innovate
- Government instability
- Tax regulation

Private Investment
(Percent of GDP, Index 2000=100)

Source: World Economic Forum Competitiveness Report 2017-18,
Encourage further opening and diversification to benefit from trade opportunities.

**Estimated Contributions of Trade Openness to Growth (Percent)**

- MENAP Oil Exporters
- MENAP Oil Importers

- 2018–22 expected annual growth
- Trade openness

**Export Diversity Index, 2014**

(0 to 1, higher is more diverse)

EMDE average, 2014

Note: see October 2017 *Regional Economic Outlook:Middle East and Central Asia* for discussion.
Complement by inclusive policies to ensure growth is shared by all

1. Improve governance and control of corruption
2. Increase Access to finance
3. Strengthen social safety nets
4. Increase opportunities for youth
5. Eliminate gender disparities
6. Support rural communities
7. Help refugees
IMF Financial and Technical Assistance

- **AFG**: ECF (7/20/2016)
- **EGY**: EFF (11/11/2016)
- **IRQ**: SBA (7/7/2016)
- **JOR**: EFF (8/24/2016)
- **MRT**: ECF (12/6/2017)
- **MAR**: PLL (7/22/2016)
- **TUN**: EFF (05/20/2016)

(TA in Person-Years of Field Delivery, 2017)
Takeaways

• MENAP Region needs to make the most of the global recovery to enhance growth and to strengthen fiscal and financial stability

• Further reforms are needed to create jobs and secure sustainable and more inclusive growth

• Policy Recommendations:
  • MENAP OE: Time to accelerate reforms and maintain fiscal consolidation, while accelerating economic diversification strategies

  • MENAP OI: Fragile growth recovery with vulnerabilities remaining, calling for further reforms to secure resilience and job creation