Global developments pose risks to the MENAP outlook

Crude Oil Volatility and Price

Top 10 Trading Partners: Revisions to Import Growth (Percentage points)

Sources: National authorities; and IMF staff calculations.
Note: Current REO compared to October 2018.
Geopolitical risks and social tensions have risen in the MENAP region.

Geopolitical Risk in MENA Region
(Index)

Reported Social Unrest Index
(12-month rolling average, 2014–present = 100)

Sources: Political risk rating, Political Risk Service.

Sources: Factiva; and IMF staff calculations.
Fragile and conflict-affected states and host countries face ongoing growth and humanitarian challenges

Real GDP Per Capita
(Percent change)

Sources: National authorities; and IMF staff calculations.

Migrants, 2018

Source: United Nations High Commissioner of Refugees.
Global headwinds have had relatively limited impact on MENAP growth thus far

<table>
<thead>
<tr>
<th>Year</th>
<th>MENAP</th>
<th>GCC</th>
<th>MENAP</th>
<th>Oil Exporters</th>
<th>Oil Importers</th>
<th>Oil Exporters (excl. MCD Countries)</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.2</td>
<td>2.0</td>
<td>4.3</td>
<td>Oil Exporters</td>
<td>Oil Importers</td>
<td>Oil Exporters (excl. MCD Countries)</td>
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<td>MENAP</td>
<td>World</td>
<td>EMs</td>
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<tr>
<td>2019</td>
<td>-1.3</td>
<td>0.7</td>
<td>3.6</td>
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<td>Oil Exporters (excl. MCD Countries)</td>
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<td>MENAP</td>
<td>World</td>
<td>EMs</td>
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<tr>
<td>Revision from Apr. 2019</td>
<td>-1.6</td>
<td>-1.4</td>
<td>0.0</td>
<td>Oil Exporters</td>
<td>Oil Importers</td>
<td>Oil Exporters (excl. MCD Countries)</td>
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<tr>
<td>2020</td>
<td>2.1</td>
<td>2.5</td>
<td>3.7</td>
<td>Oil Exporters</td>
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</tr>
</tbody>
</table>

Sources: World Economic Outlook (WEO); and IMF staff estimates.
MENAP oil exporters: Limited effectiveness of fiscal easing amid rising vulnerabilities and lower oil prices
Lower oil prices are weighing on growth and macroeconomic balances

MEANP OE: Real GDP Growth, Non-Oil and Oil Contributions (Percent)

Sources: National authorities; and IMF staff calculations.
Note: Iran and Libya are excluded from MENAPOE and non-GCC OE.

MENAP OE: Current and Fiscal Account Balances (In percent of GDP)

Sources: National authorities; and IMF staff calculations.
Declining productivity growth and FDI dampen the medium-term outlook

MENAP OE: Declining non-oil growth and TFP (Percent)

MENAP OE: FDI Inflows, 2010–18 (Percent of GDP)

Sources: National authorities; and IMF staff calculations.
Notes: Libya is excluded from non-GCC oil exporters.

Sources: National authorities; and IMF staff calculations.
Fiscal consolidation is slowing, but the boost to growth has been modest

**MENAP OE: Changes in Non-Oil Primary Fiscal Balances**
(Cumulative; Percent of non-oil GDP)

**GCC: Non-Oil Real GDP Growth and Fiscal Impulses**
(Percent and percent of non-oil GDP, weighted averages)

Sources: National authorities; and IMF staff calculations.

Source: National authorities; and IMF staff calculations.
Note: Fiscal impulse is calculated using the change in non-oil primary deficit to non-oil GDP ratio.
MENAP oil importers:
Elevated public debt holding down growth and creating fiscal strains
Growth continues to improve, but macroeconomic balances remain weak

MENAP OI: Real GDP Growth, 2005-20
(Percent)

MENAP OI: Current and Fiscal Account Balances
(In percent of GDP)

Sources: National authorities; and IMF staff calculations.
High debt burdens and fiscal slippages are difficult to reverse

MENAP OI: Rising Public Debt
(Percent of GDP)

MENAP OI: Annualized Contributions to Changes in Debt Ratio¹
(Percentage of GDP, per year)

Sources: National authorities; and IMF staff calculations.

¹Aggregates exclude Sudan.
Rising interest payments crowd out growth-enhancing investment and social spending

MENAP OI: General Government Debt and Interest
(Percent)

- Debt to GDP
- Interest to revenue - weighted average (RHS)
- Interest to revenue - simple average (RHS)

MENAP OI: Changes in Government Spending¹
(Percent of GDP, simple averages)

- Capital
- Subsidies
- Other current
- Wages
- Interest
- Total expenditure

Sources: National authorities; and IMF staff calculations.

¹ Excludes Jordan, Pakistan, Sudan, and Tunisia due to limited data availability.
Policies for MENAP countries

• Fiscal: Address vulnerabilities
  • Resume gradual consolidation in OEs
  • Ensure debt sustainability in OIs
  • Strengthen fiscal institutions

• Structural: Generate job-rich growth across the region
  • Improve infrastructure
  • Increase access to finance
  • Deepen domestic financial markets
  • Build on recent improvements in Doing Business to promote strong business environments across the region
MENA countries are among the most improved in Doing Business

**Top 10 Most Improved Scores: Doing Business 2020**
(Change in score, overall ranking above bars)

Cross cutting analytical themes: Capital Flows and Fiscal Institutions
Boost FDIs and mitigate risks from volatile portfolio flows

### Foreign Direct Investment in MENAP Countries (Percent of GDP)

- MENAP: 
- EM excl. China: 

### Portfolio Investment in MENAP Countries (Percent of GDP)

- MENAP: 
- EM excl. China: 

**Sources:** National authorities; and IMF staff estimates.
Strengthen fiscal institutions to improve fiscal outcomes

Fiscal Institution Indicators for MENAP Countries
(Index, 100 is best)

Sources: Public Expenditure and Financial Accountability; Open Budget Initiative; and IMF staff calculations.

Note: The Medium-Term Fiscal Framework and PFM controls indicators, where 4 is best score, have been indexed to 100. For the procurement indicator, where 1 is best, the indicator has been indexed to 100. MENAP oil exporters and oil importers aggregates exclude fragile states.

Average Effect of Improving Open Budget Index for MENAP Countries

Source: IMF staff calculations.
Key Takeaways
Global headwinds and MENAP vulnerabilities pose risks to growth

- **Fiscal vulnerabilities are rising**
  - Higher public spending (MENAP OE)
  - Elevated debt and interest burdens (MENAP OI)

- **Potential growth is slowing across regions**
  - Falling capital investment
  - Declining productivity
  - Subdued private-sector activity

- **Raise growth and accelerate structural reforms across regions**
  - Attract investment, including FDI
  - Growth friendly fiscal consolidation
  - Strengthen business environments
  - Increase inclusion
Analytical and policy agenda in MCD

Inclusive growth
- “Effectiveness and Efficiency of Social Spending”
- “Inclusive Growth in the CCA”
- “Digitalization in the GCC Economies”
- “Enhancing the Role of SMEs in the Arab World”
- “Financial Inclusion of Small and Medium-Sized Enterprises in the Middle East and Central Asia”
- “Opportunity for All: Promoting Growth and Inclusiveness in the Middle East and North Africa”

Integration and Resilience
- “The Future of Oil and Fiscal Sustainability in the GCC Region”
- “Economic Integration in the Maghreb: An Untapped Source of Growth”
- “Opening Up in the Caucasus and Central Asia: Policy Frameworks to Support Regional and Global Integration”
- “Fintech, Inclusive Growth and Cyber Risks in MENAP and CCA”
- “Capital Flows to MENAP and the CCA: Opportunities and Risks” (REO)

Structural Reform Agenda
- “Curbing Corruption Through better Economic Governance”
- “Trade and Foreign Investment: Keys to Diversification and Growth in the GCC”
- “Public Wage Bills in the Middle East and Central Asia”
- “Fiscal Institutions and Fiscal Outcomes” (REO)

Conflict and Fragility
- Somalia’s travel to HIPC Decision Point
- Engagement with Djibouti, Iraq, Sudan, and West Bank & Gaza
- “Macroeconomic Policy Challenges in Conflict Countries and Fragile States: Experience from the Middle East”
- “Conflict in the Middle East and Central Asia: Costs and Economic Policy Priorities” (REO)
- “Estimating Subnational GDP in Afghanistan using Satellite Imagery”
- “Assessing oil and non-oil GDP from space”
Thank you