Overview

- Global outlook
- MENAP oil exporters
- MENAP oil importers
Slower and uneven recovery in 2012

Real GDP growth (2012)

- Less than -6%
- -6% to 0%
- 0% to 2%
- 2% to 4%
- 4% to 6%
- More than 6%

Middle East and North Africa
Regional Economic Outlook, November 2012
Growth prospects have been downgraded

### WEO Real GDP Growth Projections

(Percent change from a year earlier)

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>Advanced Economies</th>
<th>Emerging Economies</th>
<th>MENA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Oct 2012)</td>
<td>3.3</td>
<td>2.2</td>
<td>-0.4</td>
<td>1.3</td>
<td>5.3</td>
<td>5.3</td>
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<tr>
<td>(April 2012)</td>
<td>3.5</td>
<td>2.1</td>
<td>-0.3</td>
<td>1.4</td>
<td>5.7</td>
<td>4.2</td>
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<td>2013</td>
<td></td>
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<tr>
<td>(Oct 2012)</td>
<td>3.6</td>
<td>2.1</td>
<td>0.2</td>
<td>1.5</td>
<td>5.6</td>
<td>3.6</td>
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<tr>
<td>(April 2012)</td>
<td>4.1</td>
<td>2.4</td>
<td>0.9</td>
<td>2.0</td>
<td>6.0</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: IMF, *World Economic Outlook.*
Emerging market economies: End of a boom

Real Credit Growth
(Percent change from one year ago)

Real GDP Growth
(Percent change from one year ago)

Sources: Haver Analytics; IMF, *World Economic Outlook*; and IMF staff calculations.
Global downside risks have increased

**Downside risks:**
- More stress in euro area
- U.S. fiscal cliff, debt ceiling
- Higher oil prices
- Medium-term risks: high advanced economy debt; lower emerging market growth

**Prospects For World GDP Growth**

*(Percent change)*

- More stress in euro area
- U.S. fiscal cliff, debt ceiling
- Higher oil prices
- Medium-term risks: high advanced economy debt; lower emerging market growth

Source: IMF, *World Economic Outlook.*
MENAP oil exporters

Algeria
Libya
Iraq
Kuwait
Saudi Arabia
Bahrain
Qatar
Oman
Yemen
Iran
United Arab Emirates
Increase resilience and create private-sector jobs

Accommodative fiscal and monetary policy
- Large government wage bill increases

High oil prices, but sensitive to global economic developments

Recovery in Libya

- Robust GDP growth
- Large current account surpluses
- Increasing fiscal vulnerability to oil price

Gradually save more and reduce spending rigidities
Develop alternatives to public-sector hiring
Non-oil GDP growth strong; current accounts buoyant

**Real GDP**

(Annual percent growth)

Sources: National authorities; and IMF staff calculations.

**Current Account Balances**

(Billions of U.S. dollars and percent of GDP)

MENAP oil exporters
GCC: Accommodative policies support non-oil GDP; oil GDP slowing

Sources: National authorities; and IMF staff calculations.
Higher government wage bills weaken public finances

**Government Wage Bill Growth, 2010–13**
*(Percent, deflated by CPI)*

**Fiscal Balances Have Deteriorated**
*(Percent of GDP)*

Sources: National authorities; and IMF staff calculations.
Fiscal vulnerability to a lower oil price has increased

Fiscal Breakeven Prices
(U.S. dollars per barrel)¹

GCC Fiscal Balances
(Percent of GDP)

Sources: National authorities; and IMF staff calculations.
¹Yemen fiscal breakeven, 2012: US$237 per barrel.
GCC: Generating private-sector jobs for nationals

**Increase private-sector employment by:**

- Maintaining fast non-oil GDP growth by continuing to diversify the economy

- Lowering private-sector reservation wages by
  - reducing the proportion of nationals employed in the public sector
  - limiting public-sector wage increases

- Addressing skills mismatches

- Encouraging firms to hire nationals without imposing undue costs of doing business

**GCC Unemployment Rate, Nationals (Percent)**

Source: National authorities.

1Bahrain (2011); Kuwait (2010, includes individuals not actively seeking employment), Qatar (2009); Saudi Arabia (2009).
Key messages: MENAP oil exporters

- Robust non-oil GDP growth (supported by accommodative fiscal policy); strong 2012 growth driven by Libyan recovery
- Large external current account surpluses are sensitive to lower oil prices
- Gradually saving more and reducing spending rigidities will strengthen fiscal resilience to oil price declines
- Continued focus on broader structural reforms and economic diversification will help generate private-sector employment and inclusive growth
MENAP oil importers
Restore macroeconomic sustainability and accelerate growth

**Adverse External Influences**
- Slow global growth; euro area recession
- High food and fuel prices
- Spillovers from Syria

**Domestic Uncertainty**
- Ongoing political reforms
- Policy response of increased subsidies
- Continued large financing needs

- Tepid growth continues in 2012
- Persistent high unemployment
- Widening fiscal and external imbalances
- Policy buffers depleted

Balance social pressures for spending with tightened fiscal and external constraints
Lay foundation for more job-creating growth through enhanced structural reforms
Growth forecasts revised downward

MENAP Oil Importers: Real GDP Growth\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Oct 2011 REO</th>
<th>Apr 2012 REO</th>
<th>Nov 2012 REO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2011</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2012</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2013</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Sources: National authorities; and IMF staff calculations.
\(^1\)Excludes Syria from 2011 onwards.
Recovery expected, but uncertainty weighing on activity

Real GDP Growth
(Percent)

Sources: National authorities; and IMF staff calculations.
Tepid outlook reflects weak exports of goods, tourism

Exports and Imports of Goods
(Annual percentage change)

International Tourist Arrivals
(Index; Jan 2010=100, seasonally adjusted, most recent month)

Year-over-year growth (Percent)

Sources: Haver Analytics; and national authorities.
Vulnerable to high food prices, euro area slowdown

Food Imports as a Share of GDP
(Percent)

Responses of Output to a Negative GDP Shock in the Euro Area
(Percent change)

Sources: Cashin, Mohaddes, Raissi (2012); and IMF staff calculations.
Commodity prices likely to remain high

**Global Commodity Price Developments**

*Index; 2005 = 100*

- Food
- Metals
- Gold (RHS) US$ per troy ounce

**Brent Crude Oil Price Prospects**

*U.S. dollars per barrel*

- 95% confidence interval
- 86% confidence interval
- 68% confidence interval
- Futures

*Upside price risks dominate*

Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

1. Food index derived from average price of corn, wheat, rice, and soybeans.
2. Derived from prices of futures options on October 9, 2012.
Vulnerable to spillovers from Syria

Estimate of Refugee Flows From Syria

- Turkey: 88K
- Lebanon: 80K
- Jordan: 105-200K
- Iraq: 29K
- Total outside Syria: 300-400 thousand
- Internally displaced: about 1.5 million

Sources: UNHCR, Jordanian authorities, Internal Displacement Monitoring Centre; and IMF staff estimates as of September 27, 2012.
Fiscal deficits revised upward

**MENAP Oil Importers: Overall Fiscal Deficit**

(Percent of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Oct 2011 REO</th>
<th>Apr 2012 REO</th>
<th>Nov 2012 REO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2011</td>
<td>5.5</td>
<td>5.5</td>
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<tr>
<td>2012</td>
<td>6.0</td>
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<td>6.5</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td>7.0</td>
</tr>
</tbody>
</table>

Sources: National authorities; and IMF staff calculations.

1Excludes Syria from 2011 onwards.
Policy response: higher deficits and spending, mainly on subsidies

Sources: National authorities; and IMF staff calculations.
Increased official financing, but more needed...

**Official Financing Disbursed Since Arab Awakening**
(Millions of U.S. dollars)

- IMF, $384
- G8, $2,890
- GCC, $4,506
- International financial institutions, excl. IMF, $5,042
- Other, $1,693

Sources: National authorities; and IMF staff calculations.

1Received through August 2012 or latest available. Includes disbursements to Egypt, Jordan, Morocco, and Tunisia.

**Gross External Financing Needs**
(Billions of U.S. dollars)

- Egypt²
- Jordan
- Morocco
- Tunisia

Sources: National authorities; and IMF staff calculations.

1Calculated as the sum of current account balance (before grants) and external amortization.

2Fiscal year (July-June).
...has resulted in shrinking reserve buffers

Gross International Reserves
(Months of imports and billions of U.S. dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGY</td>
<td>$35.2</td>
<td></td>
</tr>
<tr>
<td>JOR</td>
<td></td>
<td>$12.4</td>
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<tr>
<td>LBN</td>
<td>$30.0</td>
<td>$34.7</td>
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<td>MAR</td>
<td>$23.6</td>
<td>$18.4</td>
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<tr>
<td>PAK</td>
<td>$13.0</td>
<td>$10.8</td>
</tr>
<tr>
<td>TUN</td>
<td>$9.5</td>
<td>$7.8</td>
</tr>
</tbody>
</table>

Sources: National authorities; and IMF staff calculations.
Medium-term policy agenda for shared prosperity

**Fiscal Policy**
- Implement growth-friendly consolidation
- Increase quality of public investment
- Enhance social safety nets for the poor

**Socially Inclusive Growth**

**Monetary Policy**
- Vigilance to second-round inflation effects
- Enhance exchange rate flexibility
- Expand policy toolkit in the medium term

**Labor Market and Education Reforms**
- Review labor market regulations
- Reform education systems to enhance skill formation

**Business Regulation and Governance**
- Establish transparent, evenhanded treatment of businesses
- Lower barriers to entry and exit of businesses

**Access to Finance**
- Develop alternatives to bank finance
- Banking system: strengthen competition and financial infrastructure

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Middle East and North Africa
Regional Economic Outlook, November 2012
Key messages: MENAP oil importers

- Growth prospects for 2012-13 remain modest, with economic activity below potential

- Largest downside risks emanate from continued political instability and spillovers from Syria, but other risks—including a further deterioration of the global economy and continued high commodity prices—also loom large

- Depletion of policy buffers calls for urgent action on growth-enhancing consolidation, while protecting the poor and vulnerable through effective safety nets

- Commitments from international partners for financial assistance, trade access, and capacity building are needed to smooth adjustment in 2012-13

- Time to start economic transitions—prompt action on macroeconomic policies and reforms needed to boost competitiveness, growth, and job creation
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