Regional Economic Outlook UPDATE
May 2015
Middle East and Central Asia Department

Middle East, North Africa, Afghanistan, and Pakistan: Oil, Conflicts, and Transitions

A modest recovery is expected to continue in the MENAP despite a slump in oil prices, raging regional conflicts, and lingering uncertainty of the post-Arab Spring transitions.

- *Despite a sharp decline in oil prices, growth in the oil-exporting countries is projected to remain steady at 2.4 percent in 2015, with inflation subdued. Faced with large oil revenue losses, most countries are expected to use accumulated financial buffers and available financing to cushion some of the impact on growth while gradually slowing their fiscal spending, so that they can share the now reduced oil wealth equitably with future generations and rebuild buffers for dealing with oil price volatility. Specific policy announcements would help reduce uncertainty about how medium-term fiscal consolidation plans will be carried out.*
- *In the oil-importing countries, growth is expected to strengthen from 3 percent in 2014 to 4 percent in 2015, supported by a gradual recovery in the euro area, improved domestic confidence, and more accommodative fiscal and monetary policies. Lower oil prices are helping, though their impact on near-term growth has been moderated in many countries by incomplete pass-through to retail fuel prices. Consequently, the benefits are mainly in the form of improved fiscal/quasi-fiscal positions and external vulnerabilities rather than stronger growth. Solidifying recent subsidy reforms will help lock in the gains, which can help reduce fiscal and external vulnerabilities where needed and, in other countries, make space for increased growth-enhancing spending.*

Although rising, economic growth rates remain too low to make a dent into high unemployment across the region, especially among the youth. Raising economic prospects in a sustainable and inclusive manner suggests the need for multifaceted structural reforms.

Table 1. Real GDP Growth, 2014 and 2015

	MENAP Oil Exporters	GCC	Non-GCC Oil Exporters	MENAP Oil Importers
2014	2.4	3.6	1.0	3.0
2015	2.4	3.4	1.2	4.0

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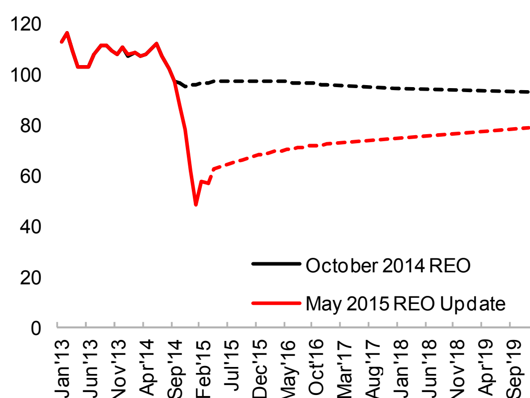
MENAP Oil-Exporting Countries

Lower Oil Prices Define Economic Outlook

Between July 2014 and April 2015, oil prices dropped by 50 percent. They are now expected to be $58 per barrel in 2015 before rising gradually to $74 per barrel by 2020, in response to a decline in oil investment and production and a pickup in oil demand as the global recovery strengthens. Importantly, a sizable part of the price decline is expected to persist—market expectations over the medium term have been revised down by almost 20 percent since last October (Figure 1).

Figure 1.
Brent Futures Curve
(October 2014 REO versus May 2015 REO Update)



Source: IMF staff calculations.

Government Spending and Rising Oil Production Support Growth

Growth in MENAP oil exporters reached 2.4 percent in 2014, slightly higher than in 2013, and mainly reflecting recovery in Iran and a pick-up in oil-related activity in Saudi Arabia. In 2015, growth is projected to remain unchanged, before rising to 3½ percent in 2016 as oil growth accelerates in Iraq and Libya. Although the oil price decline has reduced authorities' spending power, which has been the engine of the non-oil economy in recent years, the impact is to be appropriately cushioned by using the accumulated financial buffers where available, while gradually undertaking the needed fiscal adjustment over the medium term. As a result, growth will be stable this year, albeit 1½ pp lower than was projected last October.

- In the GCC countries, growth is forecast at 3.4 percent in 2015, revised downward since last October by 1 pp, mainly because of a slowdown in non-oil growth in response to lower oil prices. In Saudi Arabia, the growth forecast for 2015 is now 3 percent, down 1½ pp from last October, although half of this revision owes to the rebasing of real GDP data.

- Outside the GCC, growth has been revised down by 2 pp in 2015 to just above 1 percent, as oil production continues to be hampered by security disruptions (Libya, Yemen) and a challenging external environment (Iran). In Iraq, growth is expected to reach 1¼ percent in 2015 as the oil economy recovers, although the security situation and stagnating government spending will continue to weigh on non-oil activity.

Inflationary Pressures Are Subdued

Inflation in MENAP oil exporters is projected to remain broadly unchanged in 2015. In the GCC, inflation is expected to decline by ½ pp to just above 2 percent because of strengthening currencies (pegged to the U.S. dollar) and declining food prices. Lower oil prices are unlikely to affect inflation significantly, because most countries use administered prices for fuel products. In countries with managed exchange rates (Algeria, Iran), currency depreciation may add to inflation pressures, while supporting non-oil exports.

Two-Sided Risks

Uncertainty surrounding the projections has increased. Although most risks are two-sided, their balance is still tilted to the downside. The current oversupply in the global oil market suggests that GCC may face challenges in maintaing market share, with potential downside pressures on oil production. Government spending and hence nonoil activity may slow down by more than expected. However, a faster-than-expected recovery in oil prices would support government spending and nonoil growth. Overall, the risk of volatility in oil prices has risen, at least in the short term, because of complex interplays between traditional and shale oil production and geopolitical

risks. (For more details on oil market developments and outlook, see *Commodity Market Developments and Forecasts* in the April 2015 WEO, available at www.imf.org).

Conflicts and geopolitical tensions further augment the risks. Oil production in countries affected by conflict (Libya, Iraq) may surprise either on the upside or downside. Following the release of the key parameters for a Joint Comprehensive Action Plan (JCPOA) between Iran and the P5+1 on April 2,[1] upside risks to oil production and exports have increased.

The normalization of U.S. monetary policy is expected to tighten financial and monetary conditions in the region, especially in the GCC, although the pass-through tends to be slow and partial. For countries that are highly dependent on foreign funding (Bahrain, Oman, Yemen), financing and rollover risks may rise.

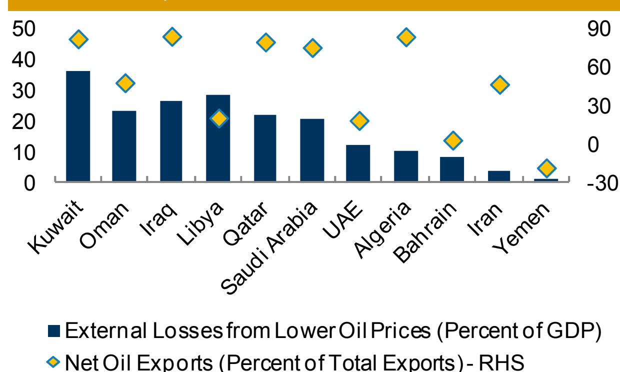
Lower Oil Prices Erode Long-Standing External and Fiscal Surpluses

Under the current oil price assumptions, the fall in anticipated oil export earnings in 2015 is $287 billion (21 percent of GDP) in the GCC and $90 billion (11 percent of GDP) in the non-GCC countries (Figure 2). The oil price decline will turn the longstanding current account surplus of MENAP oil exporters into a deficit of $22 billion (1 percent of GDP) in 2015.

Surpluses are expected to return gradually over the medium term, reaching 3¼ percent of GDP by 2020, as a result of both higher oil prices and projected fiscal consolidation (Figure 3).

Fiscal balances are also severely affected by lower oil prices. In the GCC, a combined budget surplus for 2014 of $76 billion (4½ percent of GDP) is expected to turn into deficit of $113 billion (8 percent of GDP)

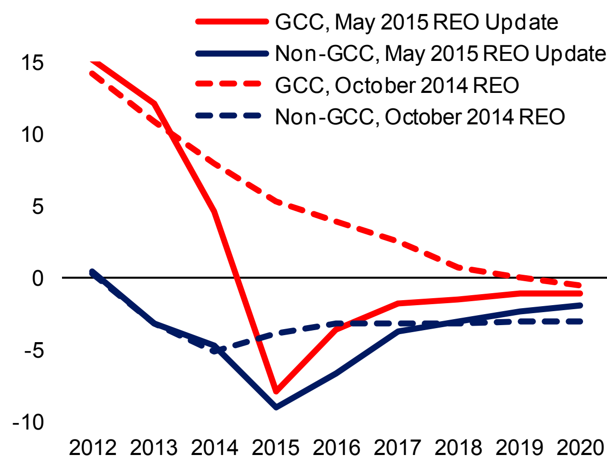
Figure 2.
Drop in Oil Export Revenue from Lower Oil Prices, 2015



Sources: National authorities; and IMF staff calculations.
Note: External losses are calculated as the projected difference in the U.S. dollar value of net oil exports in 2015, using the 2015 oil price assumptions in the May 2015 and October 2014 WEOs, and the volume of net oil exports in the latter, with adjustments for country-specific factors.

in 2015, narrowing only partly over the medium term to 1 percent of GDP (Figure 3). Non-GCC countries already posted a fiscal deficit in 2014 (4¾ percent of GDP), which is expected to widen to 9 percent of GDP in 2015, before stabilizing at 2½ percent of GDP in the medium term.

Figure 3.
Fiscal Balance, 2012-20
(Percent of GDP)

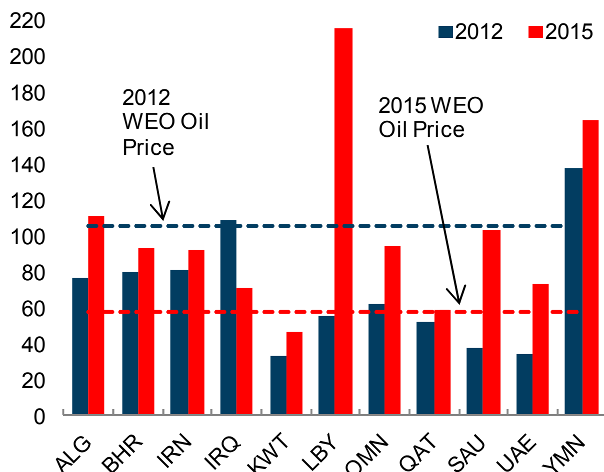


Sources: National authorities; and IMF staff calculations.

[1] P5+1 are the five permanent members of the UN Security Council and Germany. The key parameters are expected to serve as the basis for a final JCPOA to be completed by end-June, 2015, which aims for commitments regarding Iran's nuclear program in exchange for economic sanctions relief. Projections presented in this REO Update do not incorporate the impact of sanctions relief on the economy, as details of these are yet to be agreed.

A sharp rise in spending in recent years has made budgets vulnerable to lower oil prices. Most countries in the region cannot balance their budgets when oil prices approach $60 per barrel (Figure 4).

Figure 4.
Fiscal Breakeven Oil Prices, 2012 and 2015
(U.S. dollars per barrel)



Sources: National authorities; and IMF staff calculations.

A permanent decline in oil prices reduces the real income of oil exporters and requires fiscal consolidation plans to be brought forward. Non-oil fiscal balances are expected to improve by 2½ pp of non-oil GDP in 2015, driven by Kuwait, Oman, Iraq, and Libya. In the GCC, large buffers and available financing allow the adjustment to be gradual (Table 3 in the January 2015 REO Update). However, most GCC countries have not yet announced specific consolidation plans (Table 1).

Outside the GCC, where both oil revenue losses and fiscal buffers are smaller (Figure 2), non-oil balances are expected to improve by 2¾ pp of non-oil GDP in 2015, a revision of 1½ pp since last October. In Libya, capital spending is curtailed because of difficult security conditions. A moderately looser fiscal position in Iran (by 1 percent in 2015) reflects lower oil prices and planned increases in capital spending.

Opportunities for Fiscal Reform

Because government spending is a key driver of non-oil growth, fiscal consolidation should be done in a growth-friendly manner. This can be achieved by limiting spending overruns and slowing the growth of public wage bills and other current expenditures and ensuring the productivity of capital spending.

Table 1. Announced Fiscal Measures In MENAP Oil Exporters
(as of end-March 2015)

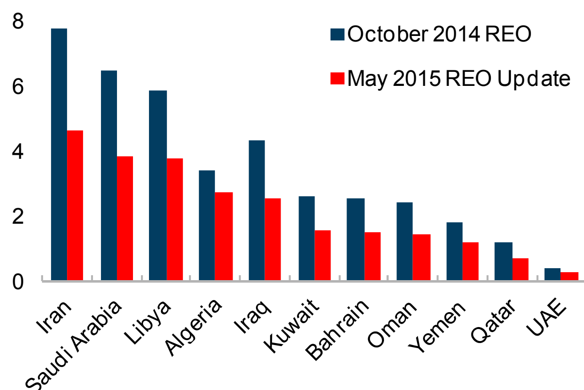
GCC	
Bahrain	Authorities announced increase in natural gas prices for industrial users (+11%) and employee medical insurance fees (paid by employers) in early 2015.
Kuwait	The 2015/16 budget projects an 18% cut in public spending, capital spending to be shielded.
Oman	The 2015 budget includes reduction in defense spending, capital spending shielded.
Qatar	No major announced policy response. Qatar continues its policy of restraining current expenditures.
Saudi Arabia	A large fiscal spending package worth around 4 percent of GDP was announced in Feb 2015.
UAE	No major announced policy response. UAE continues its path of gradual fiscal consolidation.
Non-GCC	
Algeria	Public sector hiring freeze was announced.
Iran	The 2015/16 budget aims to limit drop in oil revenue by: (i) increasing the share of oil exports that goes to the budget, (ii) depreciating the official exchange rate (by 10%).
Iraq	The 2015 budget includes increases in non-oil taxes and aims to contain spending (e.g., savings on civil servant wages).
Libya	No major policy response announced.
Yemen	Large decline in energy subsidies planned for 2015H1. Increase in Social Welfare Fund transfers to poor by 50% (Dec 2014). Progress in implementation will depend on security situation.

Sources: National authorities and IMF staff.

Reducing generalized energy subsidies—which remain large despite lower oil prices (Figure 5)—while increasing targeted social subsidies, would also help raise government revenues and discourage inefficient use of energy. Delaying such reforms will most likely require a more abrupt and costly adjustment in the future. Most countries have already initiated reforms to their subsidy systems (Table 2).

Lower oil prices underscore the benefits of reducing countries' dependence on oil. Increasing the efficiency of capital expenditure by prioritizing and raising oversight and transparency of projects, improving tax administration, and increasing non-oil revenue collection would complement efforts to contain spending.

Figure 5.
Pre-Tax Fuel Subsidies Are Still High[1]
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.
[1]Size of subsidy bill is estimated using 2013 data. Calculations are based on a price-gap analysis following IMF Board Paper (SM/13/29) and MCD Departmental Paper (14/3).

Banks Are Sound but Face Higher Risks

The oil price decline has affected financial markets in MENAP oil exporters. Equity prices have declined, and volatility has risen. Real estate markets are showing signs of cooling.

GCC banks are expected to remain sound despite the sharp decline in oil prices and slowing loan growth, because they have strong initial financial positions. They will also be supported by continuing government infrastructure investment—albeit at a lower pace—which drives nonoil growth, bank credit, and profitability. Liquidity could tighten as oil-related bank deposits decline, and NPLs could rise. However, banks are well positioned to absorb the shocks.

By contrast, non-GCC banks are more vulnerable. Iran's banking system is already exhibiting systemwide stress, on the back of high NPLs, because of a weaker economic environment and the withdrawal of correspondent banks in response to sanctions. In Yemen, large exposures to the government, against the backdrop of a weak fiscal position, declining oil revenues, and the escalating conflict has raised systemic risks. In Iraq, the deteriorating political and economic environment is exerting pressure on an already weak banking system.

Table 2. Subsidy-related Reform Measures In MENAP Oil Exporters

GCC	
Bahrain	Authorities announced increase in natural gas prices for industrial users (+11%) and employee medical insurance fees (paid by employers) in early 2015.
Kuwait	In Jan-15, government raised diesel and kerosene prices (+50%) and instituted monthly price review mechanism.
Oman	No reform measures recently announced.
Qatar	Diesel prices up in May-14 by 50%. Starting to improve desalination technologies and awareness of sustainable energy use.
Saudi Arabia	No reform measures recently announced.
UAE	Gasoline price highest in GCC (still below int'l levels). Abu Dhabi increased water (+170%) and electricity (+40%) tariffs in Jan-15.
Non-GCC	
Algeria	Authorities published cost of implicit subsidies in budget for first time in 2014.
Iran	Fuel prices were increased in Mar/Apr-14 by about 30 percent. Similar increase is possible in 2015.
Iraq	No reform measures recently announced.
Libya	Two initiatives being piloted: (i) use of national ID to eliminate duplication, (ii) reduce number of subsidized food items.
Yemen	Increase in gasoline, diesel, and kerosene prices in 2014 by 20%, 50%, and 100%, respectively. Automatic fuel price adjustment mechanism planned for first half of 2015.

Sources: National authorities and IMF staff.

Diversification Is More Urgently Needed

New realities of the global oil market make more urgent the need to move away from the past growth models based on oil-driven government spending and sharing of oil wealth through subsidies and public employment for nationals. These models have led to low productivity growth and are not delivering adequately on jobs and diversification.[2]

A new model is needed where economic growth and job creation are driven by a diversified private sector. Creating incentives for private entrepreneurship in the tradable goods sectors, improving the match between education and skills required by the private sector, and increasing private employment of nationals would go a long way toward achieving the diversification goals.

[2] The contribution of productivity to potential growth was 2 pp lower in MENAP oil exporters than in other emerging market and developing countries during 2008–2014 (see Annex I of the October 2014 REO).

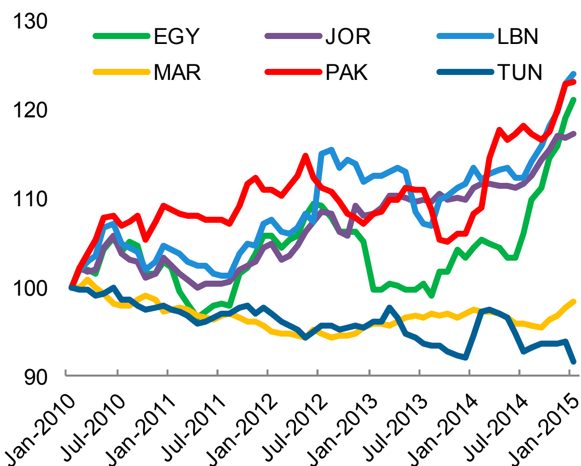
MENAP Oil-Importing Countries

Turning a Corner: Sluggish Economic Activity Picking Up in 2015

Following the 2011 downturn, economic activity has been slow to recover in MENAP oil importers.[3] Growth lingered at 3 percent in 2014, and unemployment remained close to 11 percent. Aspirations sprouting from the onset of political transitions in the Arab world have not yet been fulfilled, and populations await better access to job and business opportunities, education, and healthcare.

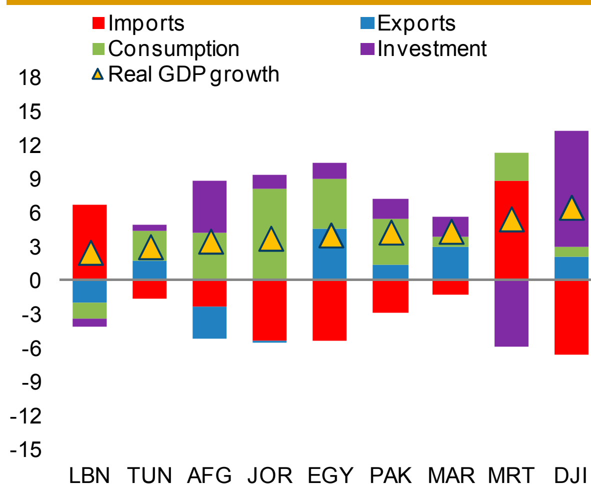
In 2014, economic activity was weighed down by disappointing export growth, security concerns, and unresolved supply-side bottlenecks. Exports were adversely affected by weak euro area growth (the Maghreb's key trading partner) and deteriorating competitiveness. Real exchange rates appreciated (Figure 1) as nominal exchange rates appreciated against the euro, on the back of a strengthening U.S. dollar, against which some countries peg their currencies. Security risks discouraged tourism (Egypt, Lebanon) and coupled with spillovers from regional conflicts (Iraq, Libya, Gaza, Syria) hurt confidence. Developments in Iraq and Syria also resulted in large refugee flows and trade disruptions in Jordan and Lebanon and exacerbated the political impasse in Lebanon. Electricity supply disruptions (Egypt, Lebanon, Pakistan) and limited access to bank credit added to headwinds from weak confidence, taking a toll on private sector sentiment. Lower oil prices, due to their appearance late in the year and slow pass-through to local fuel prices, had little effect on reducing production costs and increasing disposable incomes.

Figure 1.
Real Effective Exchange Rates
(Index, Jan. 2010=100)



Source: IMF INS database.

Figure 2.
Drivers of Growth, 2015: Exports and Investment Complement Consumption
(Contributions to real GDP growth, percent)



Sources: National authorities; and IMF staff calculations.

Economic growth is projected to strengthen by 1 pp to 4 percent in 2015 (Figure 2). Exports are anticipated to rise in line with the gradual recovery expected in the euro area. Domestic demand growth is also likely to pick up owing to already initiated monetary easing (Jordan, Morocco), less drag from fiscal consolidation, and increased government spending on growth-enhancing investment in infrastructure, health, and education. Signs of improving confidence have emerged, including falling risk premiums, stock market gains, and a pick-up in credit growth.

[3] Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, and Tunisia.

Confidence is also benefitting from last year's advances in political transitions, through elections and new constitutions. Many governments—now backed by multiyear horizons—are undertaking difficult structural reforms. These should help reduce supply-side impediments (including energy shortages), further supporting investment and exports, and countering real exchange rate appreciation pressures. Lower oil prices are likely to support confidence by helping ease fiscal and external vulnerabilities. However, given the limited pass through to retail prices across the region as a whole, its direct impact on growth may be modest and offset by intensifying security risks and spillovers from conflicts. Consumption will continue being supported by remittance inflows, public wage spending, and, in some cases, subsidies.

Elevated Inflation Gradually Declining

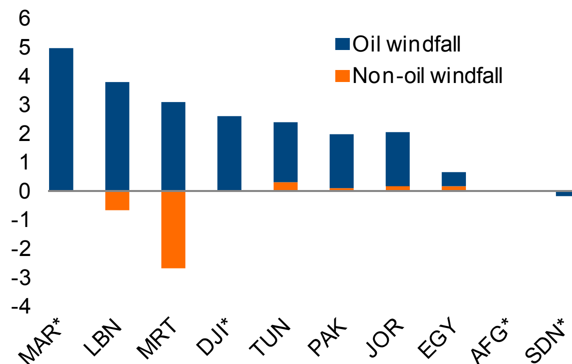
Inflation is set to decline sharply in 2015—by 2½ pp to 7 percent—largely owing to lower food prices and still large negative output gaps. For most of the region, pass-through of lower international oil prices is weak and energy subsidy phase-outs and currency depreciation will exert some upward pressures. In some cases, the removal of energy subsidies, monetization of fiscal deficits, accommodative monetary policies, and last year's nominal exchange rate depreciation against the U.S. dollar (Sudan, Tunisia) could sustain inflationary pressures.

Risks Tilted to the Downside

Downside regional and domestic risks dominate. Intensified security and social tensions, accompanied by larger spillovers to neighboring countries and setbacks in political transitions and reform implementation could further undermine trade, confidence, and macroeconomic stability.

External risks are also tilted to the downside. Lower-than-expected growth in the euro area, the GCC, or emerging markets could slow tourism, exports, remittances, and financing support. Pass-through from expected increases in U.S. interest rates is estimated to be partial and slow because of MENAP oil importers' limited global financial integration. A weakening of competitiveness might lead to negative surprises in export growth. On the upside, a greater-than-expected windfall from lower oil prices or a faster recovery in the euro area could bolster growth.

Figure 3.
External Gains from Lower Commodities Prices, 2015
(Percent of GDP)



Note: Data limitations preclude estimating non-oil commodities' windfall for countries indicated with asterisks. Non-oil windfall refers to gain/loss from changes in other commodity prices, including mining, metals, and agricultural products.
Sources: World Bank WITS database; Haver; IMF WEO; national authorities; and IMF staff calculations.

Cheaper Oil Reduces Vulnerabilities

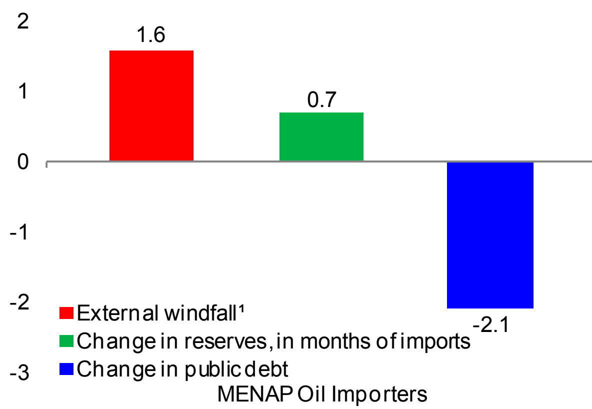
Lower oil prices are expected to help reduce external and fiscal vulnerabilities this year. Although benefits from reduced oil import bills are partially offset by declining nonoil commodity export prices (Figure 3), net external gains are still substantial, estimated at $16 billion (1½ percent of GDP) for 2015.

These gains are expected to be mostly saved by the public and private sectors, improving current account balances by ½ pp of GDP and international reserves by ¾ months of imports in 2015 (Figure 4).

Where pass-through to domestic fuel prices is relatively strong and fast (Lebanon, Pakistan), precautionary saving in response to uncertainty about the duration of the oil price shock and uncertainties amid continuing political transitions, is likely to cause households and firms to save most of the income gains resulting from lower oil prices. The boost to private consumption and investment from the remaining gains across the region is expected to be offset by the negative confidence effects of intensifying security concerns and regional spillovers.

In countries where pass-through to local fuel prices is weak because of remaining subsidies or low competition, gains from lower oil prices will accrue mostly to state-owned energy enterprises. Like private firms, such enterprises are likely to save most of the gains, especially given deep-rooted weaknesses in their balance sheets. Budgetary savings from lower energy subsidies (estimated at ½ percent of GDP in 2015) will mainly benefit countries where subsidies remain in place (for instance, Egypt, Tunisia, Sudan). Reflecting the significance of such fiscal and quasi-fiscal savings, projections of public debt for 2015 have been lowered by 2 pp of GDP from the last October REO to 75 percent of GDP.

Figure 4.
External Windfall and Gains to Reserves and Public Debt, 2015
(Percent of GDP unless specified otherwise, revision between October 2014 REO and May 2015 REO update)

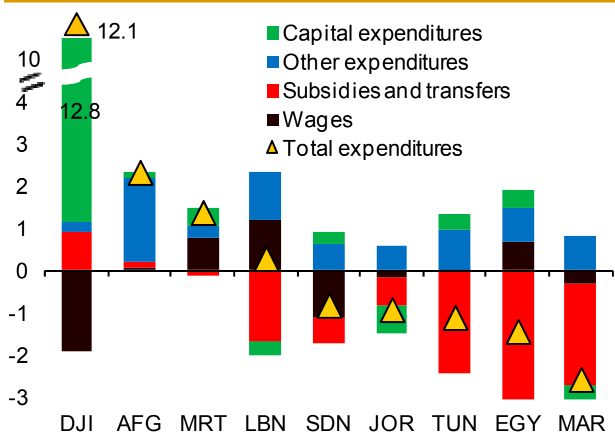


Sources: National authorities; and IMF staff calculations.
[1]Based on 2015 oil price assumptions of $58.14 (April 2015 WEO) compared to $99.36 (October 2014 WEO).

Fiscal Consolidation Further Eases Vulnerabilities

Subsidy reforms have helped halt the deterioration of fiscal deficits, which declined by 1½ percentage points to just below 8 percent of GDP in 2014. The largest savings came from lower energy subsidy bills (Figure 5). Subsidy reforms created space for increasing targeted social assistance and transfers as well as spending on education and healthcare. Wage bills and capital spending were broadly unchanged, except in Egypt where increases in both categories were financed largely by GCC grants. Fiscal consolidation, along with lower energy bills in the last quarter of 2014, helped narrow current account deficits and strengthen external buffers. International reserves rose by 12 billion dollars from 4½ months of imports to more than 5 months of imports in 2014. Nonetheless, reserves coverage remains low – around three months of imports – in the region's largest economies, Egypt and Pakistan.

Figure 5.
Change in Expenditure[1]
(Percent of GDP, 2013–15)



Sources: National authorities; and IMF staff calculations.
[1] Due to insufficient data, Pakistan is not included.

Governments are expected to continue to consolidate their fiscal positions in 2015, with a new focus on revenue measures. Fiscal deficits are expected to decline by another 1 percentage point of GDP to 7 percent of GDP this year. Increased revenues will complement ongoing spending cuts. A new policy emphasis on tax revenue measures—including eliminating exemptions, addressing loopholes, strengthening administration, and introducing income tax reforms (Jordan) and a VAT (Egypt)—will contribute. Lebanon and Pakistan have also raised taxes on fuel products. In some cases higher revenues and savings from energy subsidy reforms[4] will be partly channeled into higher spending on infrastructure, education, and healthcare. Progress in consolidation, including by saving part of the windfall

[4] See details of recent reforms in the October 2014 REO.

from lower oil prices, should help bolster confidence and increase the availability of bank credit for private investment, offsetting some of its drag on growth.

Despite declining fiscal deficits, government financing continues to burden the banking system. High concentration of bank loans among the government and state-owned enterprises presents a risk to banking stability, even though banks are generally well-capitalized, profitable, and liquid, and high non-performing loans have broadly stabilized.

Macroeconomic Policy to Balance Growth and Stability Objectives

Since fiscal and external sustainability remains a concern across the region, gains from lower oil prices should largely be used to strengthen buffers and reduce public debt. Lower oil prices also provide an opportunity to bolster these efforts with further removal of costly and inefficient energy subsidies—which benefit the rich (Egypt, Tunisia, Sudan)—and introduction of automatic fuel price adjustment mechanisms. In cases where buffers are already strong, the windfall and savings from subsidy reforms should be used to support growth-enhancing spending which would also boost domestic demand. However, given uncertainty over the persistence of low oil prices, countries should avoid entering into irreversible spending commitments such as increases in public sector wage spending.

Rising international reserves and declining inflation create favorable conditions to increasing exchange rate flexibility and easing monetary policy to support the recovery. Accommodative monetary policies would also soften the adverse impact of fiscal consolidation on domestic demand growth. However, prudence is needed when applied in conjunction with exchange rate depreciation or when inflation remains in double digits.

MENAP Region: Selected Economic Indicators, 2000–16

(Percent of GDP, unless otherwise indicated)

	Average 2000–10	2011	2012	2013	2014	Projections 2015	2016
MENAP[1]							
Real GDP (annual growth)	5.3	4.4	4.8	2.4	2.6	2.9	3.8
Current Account Balance	9.1	13.0	12.3	9.8	6.4	-1.9	-0.1
Overall Fiscal Balance	3.5	1.9	3.0	0.4	-2.3	-7.9	-5.2
Inflation, p.a. (annual growth)	7.0	9.3	10.1	10.0	6.9	6.1	6.3
MENAP oil exporters							
Real GDP (annual growth)	5.5	5.3	5.7	2.1	2.4	2.4	3.5
Current Account Balance	13.2	18.1	18.2	14.7	10.0	-1.0	1.7
Overall Fiscal Balance	7.7	6.0	8.1	5.0	0.3	-8.4	-5.0
Inflation, p.a. (annual growth)	7.2	8.9	10.4	10.4	5.8	5.8	6.1
***Of Which:* Gulf Cooperation Council**							
Real GDP (annual growth)	5.5	8.8	5.4	3.6	3.6	3.4	3.2
Current Account Balance	15.8	23.6	24.4	20.6	16.5	2.8	5.4
Overall Fiscal Balance	12.4	12.4	15.1	12.1	4.6	-7.9	-3.6
Inflation, p.a. (annual growth)	2.9	3.0	2.4	2.8	2.6	2.1	2.5
MENAP oil importers							
Real GDP (annual growth)	5.0	2.4	2.9	3.1	3.0	4.0	4.4
Current Account Balance	-1.6	-3.4	-6.2	-5.1	-4.0	-4.3	-4.5
Overall Fiscal Balance	-5.0	-7.1	-8.3	-9.5	-7.9	-7.0	-5.6
Inflation, p.a. (annual growth)	6.5	10.2	9.3	9.1	9.4	6.9	6.5
MENA[1]							
Real GDP (annual growth)	5.4	4.5	4.9	2.3	2.4	2.7	3.7
Current Account Balance	9.9	14.0	13.4	10.7	7.0	-2.0	0.0
Overall Fiscal Balance	4.4	3.0	4.3	1.5	-2.0	-8.4	-5.4
Inflation, p.a. (annual growth)	6.9	8.8	10.0	10.3	6.7	6.3	6.5
MENA oil importers							
Real GDP (annual growth)	5.1	1.7	1.9	2.7	2.5	3.9	4.3
Current Account Balance	-2.0	-5.2	-8.4	-7.2	-5.5	-5.8	-6.0
Overall Fiscal Balance	-5.5	-7.4	-8.6	-10.5	-9.8	-8.5	-6.8
Inflation, p.a. (annual growth)	6.0	8.5	8.6	10.1	10.0	8.2	7.7

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

[1]2011–16 data exclude Syrian Arab Republic.

Notes: Data refer to the fiscal year for the following countries: Afghanistan (March 21/March 20) until 2011, and December 21/December 20 thereafter, Iran (March 21/March 20), Qatar (April/March), and Egypt and Pakistan (July/June).

MENAP Oil exporters: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen.

Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Non-GCC oil-exporting countries: Algeria, Iran, Iraq, Libya, and Yemen.

MENAP Oil importers: Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, Syria, and Tunisia.

MENA: MENAP excluding Afghanistan and Pakistan.

MENAP Oil Exporters: Selected Economic Indicators

	Average					Projections	
	2000–10	2011	2012	2013	2014	2015	2016
Real GDP Growth	**5.5**	**5.3**	**5.7**	**2.1**	**2.4**	**2.4**	**3.5**
(Annual change; percent)							
Algeria	3.9	2.8	3.3	2.8	4.1	2.6	3.9
Bahrain	5.5	2.1	3.4	5.3	4.7	2.7	2.4
Iran, I.R. of	5.3	3.7	-6.6	-1.9	3.0	0.6	1.3
Iraq	…	7.5	13.9	6.6	-2.4	1.3	7.6
Kuwait	4.8	9.6	6.6	1.5	1.3	1.7	1.8
Libya	4.6	-62.1	104.5	-13.6	-24.0	4.6	17.7
Oman	3.6	4.1	5.8	4.7	2.9	4.6	3.1
Qatar	12.7	13.0	6.0	6.3	6.1	7.1	6.5
Saudi Arabia	5.1	10.0	5.4	2.7	3.6	3.0	2.7
United Arab Emirates	4.8	4.9	4.7	5.2	3.6	3.2	3.2
Yemen	4.5	-12.7	2.4	4.8	-0.2	-2.2	3.6
Consumer Price Inflation	**7.2**	**8.9**	**10.4**	**10.4**	**5.8**	**5.8**	**6.1**
(Year average; percent)							
Algeria	3.3	4.5	8.9	3.3	2.9	4.0	4.0
Bahrain	1.6	-0.4	2.8	3.3	2.5	2.1	1.5
Iran, I.R. of	14.5	21.5	30.5	34.7	15.5	16.5	17.0
Iraq	20.7	5.6	6.1	1.9	2.2	3.0	3.0
Kuwait	3.1	4.9	3.2	2.7	2.9	3.3	3.6
Libya	3.8	15.9	6.1	2.6	2.8	2.2	4.4
Oman	2.6	4.0	2.9	1.2	1.0	1.0	2.6
Qatar	5.0	1.9	1.9	3.1	3.0	1.8	2.7
Saudi Arabia	1.8	3.7	2.9	3.5	2.7	2.0	2.5
United Arab Emirates	5.1	0.9	0.7	1.1	2.3	2.1	2.3
Yemen	11.0	19.5	9.9	11.0	8.2	8.1	7.5
General Gov. Overall Fiscal Balance	**7.7**	**6.0**	**8.1**	**5.0**	**0.3**	**-8.4**	**-5.0**
(Percent of GDP)							
Algeria	5.2	-1.2	-4.1	-1.8	-6.8	-12.9	-10.0
Bahrain[1]	0.4	-1.5	-3.2	-4.3	-5.7	-9.9	-6.2
Iran, I.R. of[2]	2.5	-1.3	-1.9	-2.2	-1.8	-2.7	-2.3
Iraq	…	4.7	4.1	-5.8	-3.0	-10.0	-6.3
Kuwait[1]	27.6	33.9	35.5	34.9	25.5	6.2	12.9
Libya	14.0	-15.9	27.8	-4.0	-43.5	-68.2	-43.3
Oman[1]	9.6	9.4	4.7	3.2	-1.5	-14.8	-11.6
Qatar	9.2	10.2	14.2	20.5	14.5	5.6	1.9
Saudi Arabia	10.8	12.0	14.7	8.7	-0.5	-14.2	-8.1
United Arab Emirates[3]	11.6	6.3	10.9	9.9	6.0	-3.0	0.0
Yemen	-2.2	-4.5	-6.3	-6.9	-4.1	-5.3	-5.1
Current Account Balance	**13.2**	**18.1**	**18.2**	**14.7**	**10.0**	**-1.0**	**1.7**
(Percent of GDP)							
Algeria	14.5	9.9	5.9	0.4	-4.3	-15.7	-13.2
Bahrain	5.9	11.2	7.2	7.8	5.3	-2.1	-0.7
Iran, I.R. of	5.4	10.5	6.3	7.4	3.8	0.8	1.2
Iraq	…	12.0	6.7	1.3	-3.5	-9.6	-3.6
Kuwait	30.7	42.7	45.2	39.6	35.3	15.7	19.3
Libya	25.4	9.1	29.1	13.6	-30.1	-52.8	-30.9
Oman	8.7	13.2	10.3	6.6	2.2	-15.0	-13.0
Qatar	19.1	30.6	32.6	30.8	25.1	8.4	5.0
Saudi Arabia	15.6	23.7	22.4	17.8	14.1	-1.0	3.7
United Arab Emirates	11.7	14.7	18.5	16.1	12.1	5.3	7.2
Yemen	0.7	-3.0	-1.7	-3.1	-1.6	-2.2	-1.5

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

Note: Variables reported on a fiscal year basis for Iran (March 21/March 20) and Qatar (April/March).

[1]Central government.

[2]Central government and National Development Fund excluding Targeted Subsidy Organization.

[3]Central and state governments. Central government includes budgetary central government, extra-budgetary funds, and social security funds.

MENAP Oil Importers: Selected Economic Indicators

	Average 2000–10	2011	2012	2013	2014	Projections 2015	2016
Real GDP Growth	**5.0**	**2.4**	**2.9**	**3.1**	**3.0**	**4.0**	**4.4**
(Annual change; percent)							
Afghanistan, Rep. of	…	6.5	14.0	3.7	1.5	3.5	4.9
Djibouti	3.5	4.5	4.8	5.0	6.0	6.5	7.0
Egypt[1]	5.0	1.8	2.2	2.1	2.2	4.0	4.3
Jordan	6.1	2.6	2.7	2.8	3.1	3.8	4.5
Lebanon	5.1	0.9	2.8	2.5	2.0	2.5	2.5
Mauritania	4.5	4.4	6.0	5.7	6.4	5.5	6.7
Morocco	4.6	5.0	2.7	4.4	2.9	4.4	5.0
Pakistan	4.5	3.6	3.8	3.7	4.1	4.3	4.7
Sudan[2]	7.3	-1.2	-3.5	3.7	3.4	3.3	3.9
Syrian Arab Republic[3]	4.3	…	…	…	…	…	…
Tunisia	4.4	-1.9	3.7	2.3	2.3	3.0	3.8
West Bank and Gaza[4]	3.3	11.2	6.9	1.9	-0.8	0.9	4.2
Consumer Price Inflation	**6.5**	**10.2**	**9.3**	**9.1**	**9.4**	**6.9**	**6.5**
(Year average; percent)							
Afghanistan, Rep. of	…	11.8	6.4	7.4	4.6	3.7	5.5
Djibouti	3.5	5.1	3.7	2.4	2.9	3.0	3.5
Egypt[1]	7.9	10.1	7.1	9.5	10.1	9.8	10.1
Jordan	3.8	4.2	4.5	4.8	2.9	1.2	2.5
Lebanon	2.6	5.0	6.6	4.8	1.9	1.1	2.8
Mauritania	6.3	5.7	4.9	4.1	3.5	4.5	4.6
Morocco	1.8	0.9	1.3	1.9	0.4	1.5	2.0
Pakistan	7.4	13.7	11.0	7.4	8.6	4.7	4.5
Sudan[2]	9.1	18.1	35.5	36.5	36.9	19.0	10.5
Syrian Arab Republic[3]	4.9	…	…	…	…	…	…
Tunisia	1.5	3.5	5.1	5.8	4.9	5.0	4.1
West Bank and Gaza[4]	4.0	2.9	2.8	1.7	1.7	1.6	2.6
General Gov. Overall Fiscal Balance	**-5.0**	**-7.1**	**-8.3**	**-9.5**	**-7.9**	**-7.0**	**-5.6**
(Percent of GDP)							
Afghanistan, Rep. of[5]	…	-0.6	0.2	-0.6	-2.2	-0.1	-0.6
Djibouti	-2.1	-1.0	-2.6	-5.4	-12.0	-13.1	-12.5
Egypt[1]	-7.3	-9.8	-10.5	-14.1	-13.6	-11.8	-9.4
Jordan[5]	-4.2	-5.7	-8.9	-11.1	-10.3	-2.9	-1.5
Lebanon[5]	-12.7	-5.9	-8.4	-8.7	-7.1	-9.1	-8.6
Mauritania[5,6]	-3.4	0.0	2.5	-0.9	-3.6	-1.3	-1.4
Morocco[5]	-3.7	-6.7	-7.4	-5.2	-4.9	-4.3	-3.5
Pakistan[7]	-3.9	-6.9	-8.4	-8.1	-4.7	-4.7	-3.8
Sudan[2]	-1.2	0.2	-3.3	-2.3	-1.0	-1.5	-1.4
Syrian Arab Republic[3]	-2.7	…	…	…	…	…	…
Tunisia[8]	-2.4	-3.2	-4.8	-6.0	-3.8	-5.1	-3.4
West Bank and Gaza[4]	-27.6	-15.8	-15.1	-12.5	-12.1	-15.1	-14.0
Current Account Balance	**-1.6**	**-3.4**	**-6.2**	**-5.1**	**-4.0**	**-4.3**	**-4.5**
(Percent of GDP)							
Afghanistan, Rep. of	…	6.4	6.3	7.5	5.7	3.1	0.5
Djibouti	-6.2	-13.7	-20.3	-23.3	-27.4	-28.7	-23.2
Egypt[1]	0.9	-2.6	-3.9	-2.4	-0.8	-3.3	-4.3
Jordan	-4.5	-10.2	-15.2	-10.3	-7.0	-7.6	-6.6
Lebanon	-13.9	-15.1	-24.3	-26.7	-24.9	-22.2	-21.7
Mauritania	-13.1	-6.0	-26.5	-24.8	-27.6	-14.6	-21.9
Morocco	0.1	-8.0	-9.7	-7.6	-5.9	-4.2	-4.0
Pakistan	-1.3	0.1	-2.1	-1.1	-1.2	-1.3	-1.4
Sudan[2]	-5.3	-0.4	-9.3	-8.6	-5.1	-4.0	-3.6
Syrian Arab Republic[3]	-0.4	…	…	…	…	…	…
Tunisia	-3.0	-7.4	-8.2	-8.3	-8.9	-6.4	-5.2
West Bank and Gaza[4]	-19.0	-19.8	-16.2	-13.0	-19.9	-19.7	-20.6

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

Note: Variables reported on a fiscal year basis for Afghanistan (March 21/March 20) until 2011, and December 21/December 20 thereafter, and Egypt and Pakistan (July/June), except inflation.

[1]Projections do not incorporate the potential impact of the investment agreements reached at the March 2015 Economic Development Conference.

[2]Data for 2011 exclude South Sudan after July 9. Data for 2012 and onward pertain to the current Sudan.

[3]2011–16 data exclude Syria due to the uncertain political situation.

[4]West Bank and Gaza is not a member of the IMF and is not included in any of the aggregates.

[5]Central government. For Jordan, includes transfers to electricity company.

[6]Includes oil revenue transferred to the oil fund.

[7]Fiscal balance includes grants.

[8]Includes bank recapitalization costs and arrears payments.