Roadmap

Global Environment

Regional Themes

MENAP Oil Exporters and Importers
Near-term Global Outlook Is for Moderate and Uneven Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>Emerging markets</th>
<th>China</th>
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<tbody>
<tr>
<td>2014</td>
<td>3.4</td>
<td>2.4</td>
<td>0.9</td>
<td>4.6</td>
<td>7.3</td>
</tr>
<tr>
<td>2015</td>
<td>3.1</td>
<td>2.6</td>
<td>1.5</td>
<td>4.0</td>
<td>6.8</td>
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<tr>
<td>2016</td>
<td>3.6</td>
<td>2.8</td>
<td>1.6</td>
<td>4.5</td>
<td>6.3</td>
</tr>
</tbody>
</table>
Global Risks Are Tilted to the Downside, Rising in Emerging Markets

- Financial market turmoil
- Risks to growth in China, other EMs
- US monetary policy normalization
- Eurozone/Greece
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MENAP Oil Exporters and Importers
Oil and Conflicts Are the Key Factors Shaping the Economic Outlook for MENAP
The Slump in Oil Prices Is Expected To Persist

Brent Crude Oil Price
(U.S. dollars per barrel)

WEO Baseline Average Oil Price
2015: $51.6
2016: $50.4

Sources: Bloomberg; and IMF staff calculations.

1 As of August 20, 2015.
2 Average of WTI, Brent, and the Dubai Fateh prices.
Conflicts Are Spreading and Deepening, Putting a Heavy Toll on the Region and Spilling Across Borders

16 million refugees and internally displaced

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>3.4</td>
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<tr>
<td>Iraq</td>
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<tr>
<td>Libya</td>
<td>0.1</td>
</tr>
<tr>
<td>Syria</td>
<td>9.6</td>
</tr>
<tr>
<td>Yemen</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Refugees account for 25 percent of population in Lebanon and 20 percent in Jordan
Conflicts Have Caused Collapse in Economic Activity and Mounting Fiscal Pressures in Iraq, Libya, Yemen

Economic Growth in Conflict Countries (Percent of GDP)

Fiscal Balance (Percent of GDP)
Conflict Countries and Iran Developments Drive Changes in Oil Exporters’ Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>GCC and Algeria</th>
<th>Iran</th>
<th>Conflict countries</th>
<th>MENAP oil exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.6</td>
<td></td>
<td></td>
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<tr>
<td>2015</td>
<td>1.8</td>
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<td></td>
<td></td>
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<tr>
<td>2016</td>
<td></td>
<td>3.8</td>
<td></td>
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</tbody>
</table>
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MENAP Oil Exporters and Importers
Growth Slowdown Will be Gradual Because of Buffers

GCC growth to slow from 6 percent in 2000-07 to 3 percent in 2015-20

Real GDP Growth
(Percent)

Oman
Qatar
Saudi Arabia
UAE

Algeria
Bahrain
Kuwait
Low Oil Prices Lead to Persistent Fiscal Pressures for Oil Exporters

Fiscal deficits around 13 percent of GDP in MENAP oil exporters in 2015

<table>
<thead>
<tr>
<th>Fiscal Balance (Percent of GDP)</th>
<th>GCC</th>
<th>Algeria</th>
<th>Iran</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>-13.2</td>
<td>-1.5</td>
<td>-2.2</td>
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<tr>
<td>2015</td>
<td>-13.9</td>
<td>-4.1</td>
<td>-2.9</td>
</tr>
<tr>
<td>2020</td>
<td>-7.9</td>
<td>-0.5</td>
<td>-0.5</td>
</tr>
</tbody>
</table>
Dwindling Fiscal Space Underscores Need for Fiscal Action

Breakeven Oil Prices, 2015
(U.S. dollars per barrel)

Most MENAP oil exporters will exhaust their financial buffers in less than 5 years.

Financing needs to reach $1 trillion over 5 years.
Some Countries Have Started To Tighten the Public Purse, But Credible Medium-Term Consolidation Needed

Change in Non-Oil Primary Balances
(Percentage points of non-oil GDP)

- ALG
- BHR
- IRN
- KWT
- OMN
- QAT
- SAU
- UAE

2014-2015
2014-2020
How to Create Jobs while Controlling Public Spending

Labor force will grow by 10 million in MENAP oil exporters by 2020, of which almost 3 million will be unemployed on current trends.

Employment Outlook in the GCC
(Millions of new labor market entrants, cumulative)

2 million new entrants into labor force between 2014 and 2020, of which 570,000 unemployed

Sources: National authorities; and IMF staff calculations.

¹ Note: Data for U.A.E. not included. Public sector jobs are projected based on wage bill forecasts. Private sector jobs are projected by using historical employment-non-oil growth elasticities and non-oil growth forecasts (see Behar, 2015).
Private Enterprises Need To Take Over As Engine of Growth, Driving Diversification

Diversification

*Higher is less diverse*

Sources: WTO; UN Comtrade; national authorities; and IMF staff calculations.

*Calculated using three-year averages ending in the specified year, or latest three year period for which data are available.
Iran’s Economic Prospects To Improve With Sanctions Relief…. but by How Much?

- Oil exports are projected to rise by 1.2 mbd by 2020.
- Iran’s cumulative imports over the next 5 years will be $525 billion (22 percent of GDP)

**Iran: Real GDP Growth (Percent)**

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</thead>
<tbody>
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<td></td>
<td>-8</td>
<td>-4</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1.34</td>
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</tbody>
</table>

**Conditions for Raising Potential Growth**

- Macroeconomic stability
- Financial sector reforms
- Improved business environment
MENAP Oil Exporters

**GCC and Algeria**

- Good policy to use buffers to smooth growth impact of oil price decline
- But deeper and more sustained fiscal adjustment will be needed in most cases
- The need for a diversified private sector has become more urgent

**Countries in Conflict (Iraq, Libya, Yemen)**

- Stabilization is a pre-requisite; growth outlook depends on oil production and conflicts

**Iran**

- Sanctions Relief will boost the economy but growth dividend would be much larger if accompanied by structural reforms.
- Substantial regional and global economic spillovers through oil markets, trade, and investment.
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MENAP Oil Exporters and Importers
Recovery Is Gaining Momentum But Some Countries Still Lagging

Real GDP Growth (Percent)

2015-16 Average

2010-13 Average

SDN

TUN

JOR

PAK

MAR

MRT

DJ

AFG
Three Countries Have a Large Impact on Overall Growth

Oil Importers

(Percent)

- Others
- Egypt
- Morocco
- Pakistan
- MENAP oil importers

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.9</td>
<td>3.9</td>
<td>4.1</td>
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</tbody>
</table>
Recovery Driven by Improved External Environment and…

MENAP Oil Importers: External Gains from Lower Oil Prices
(Percent of GDP, 2015–16 average)

Advanced Economies: Real GDP Growth
(Percent)

- Euro area
- Advanced Economies excluding Euro Area
...Subsidy Reforms Combined with Lower Oil Prices Creating Space for Growth-Enhancing Spending

Change in Budget Expenditure Components
(Percent of GDP)

- Wages
- Subsidies and transfers
- Capital expenditures
- Other expenditures

Arab Oil Importers

Change 2010-13

Change 2013-16
Competitiveness Is Deteriorating As Currencies Follow the Appreciating U.S. Dollar

REER Index, Jan 2012 = 100

- Egypt
- Jordan
- Lebanon
- Morocco
- Pakistan
- Tunisia

Jan-12 | Jan-13 | Jan-14 | Jan-15
Vulnerabilities Remain Significant Despite Lower Oil Prices, Requiring Well-Balanced Policy Choices

Remittances, 2014
(Percent of GDP)

- Egypt
- Jordan
- Lebanon
- Pakistan

Public Debt
(Percent of GDP)

- Total
- From the GCC

- Lebanon
- Jordan
- Egypt
- Morocco
- Pakistan
- Tunisia
Leap in Growth Is Needed To Raise Living Standards and Employment

Striving for Higher Growth
(PPP Income per Capita, in Constant 2012 U.S. Dollars)
Structural Reforms Would Help Improve Business Climate and Functioning of Labor Market

<table>
<thead>
<tr>
<th>MENAP Oil Importers</th>
<th>Business Environment</th>
<th>Labor Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corruption</td>
<td>Bureaucracy</td>
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<tr>
<td>Egypt</td>
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<td>Lebanon</td>
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<td>Tunisia</td>
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<td>Developing Asia</td>
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<tr>
<td>Advanced Economies</td>
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</tbody>
</table>
MENAP Oil Importers

- Growth rising with confidence and better external environment but some countries lagging
- Large downside risks and vulnerabilities remain high
- Need for further fiscal consolidation, including more subsidy reforms
- Channel budget savings into growth-enhancing spending and raise exchange rate flexibility to support recovery
- Structural reforms needed for higher and more inclusive medium-term growth
### MENAP: Stable Growth in 2015, Improved Outlook for 2016

#### Real GDP Growth

*(Percent)*

<table>
<thead>
<tr>
<th>Year</th>
<th>MENAP</th>
<th>MENAP Oil Exporters</th>
<th>MENAP Oil Importers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>GCC</td>
<td>Non-GCC</td>
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<tr>
<td>2014</td>
<td>2.7</td>
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</tr>
<tr>
<td>2015</td>
<td>2.5</td>
<td>3.3</td>
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Thank you!

To download the latest IMF’s *Regional Economic Outlook* for the Middle East and Central Asia, please visit