

# Middle East and North Africa Regional Economic Outlook

## Oil, Conflicts, and Transitions

May 5, 2015



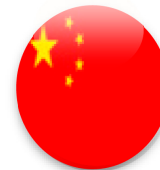
# Agenda

**Global Environment**

**MENAP Oil Exporters**

**MENAP Oil Importers**

# Global growth remains moderate and uneven



**World**

**U.S.**

**Euro  
Area**

**Emerging  
markets**

**China**

**Russia**

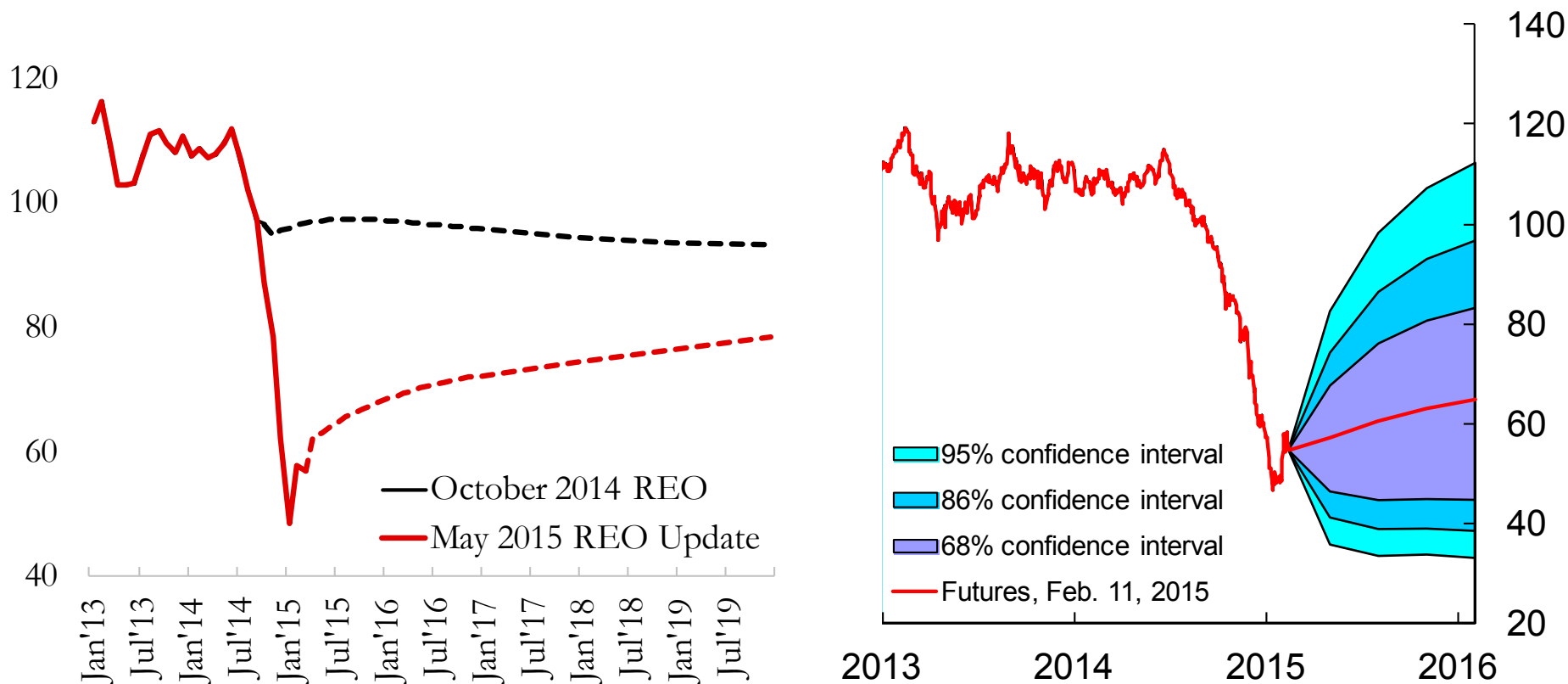
2014	3.4	2.4	0.9	4.6	7.4	0.6
2015	3.5	3.1	1.5	4.3	6.8	-3.8
2016	3.8	3.1	1.7	4.7	6.3	-1.1

Sources: National authorities; and IMF staff calculations.

# Oil prices expected to remain low but high uncertainty

## Oil Price Prospects

(Brent crude oil; U.S. dollars per barrel)



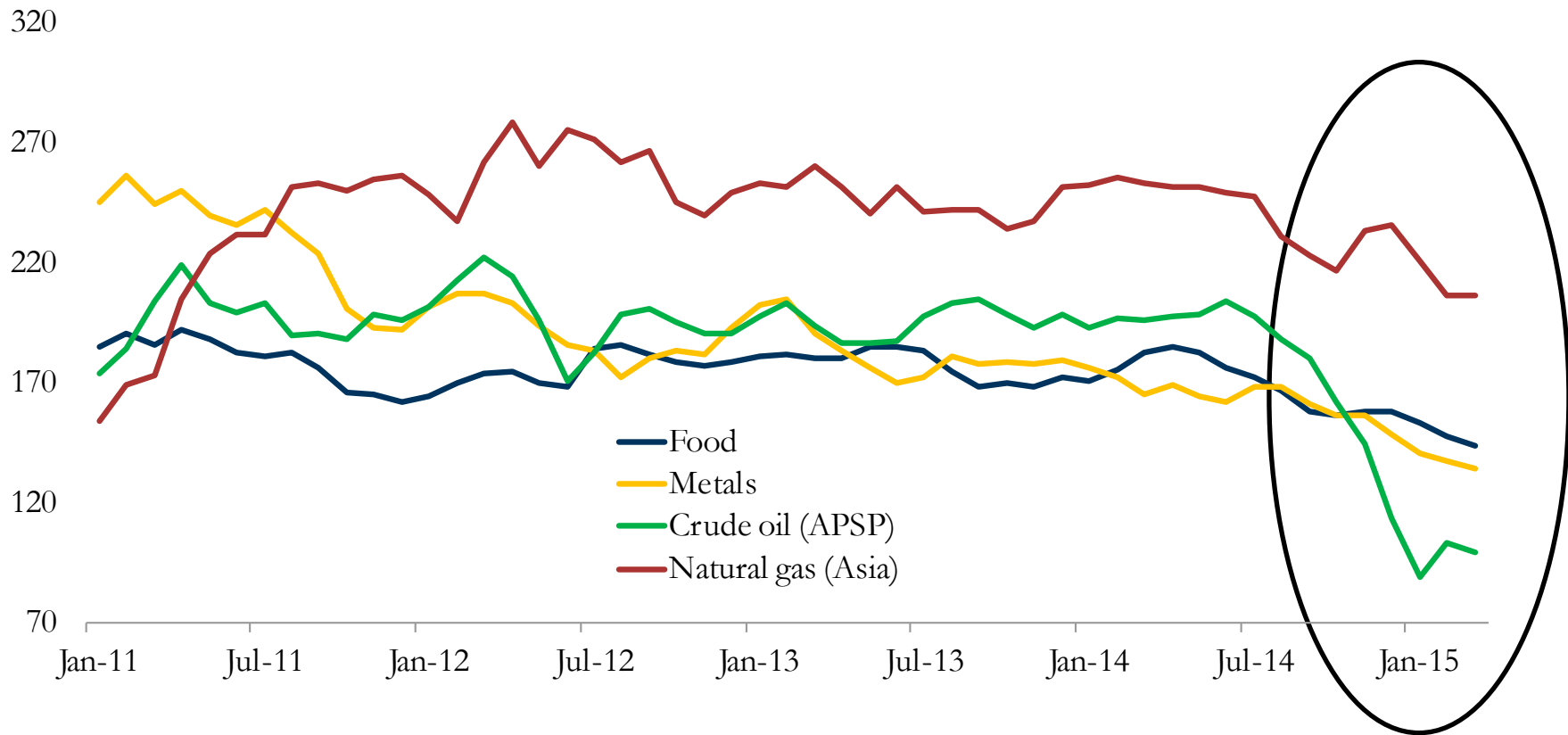
Sources: Bloomberg; and IMF Research Dept. Commodities team calculations.

<sup>1</sup>Derived from prices of Brent futures and options on Feb. 11, 2015.



# Other commodity prices have also declined, although not by as much as oil prices

**Commodity Prices**  
(2005=100)



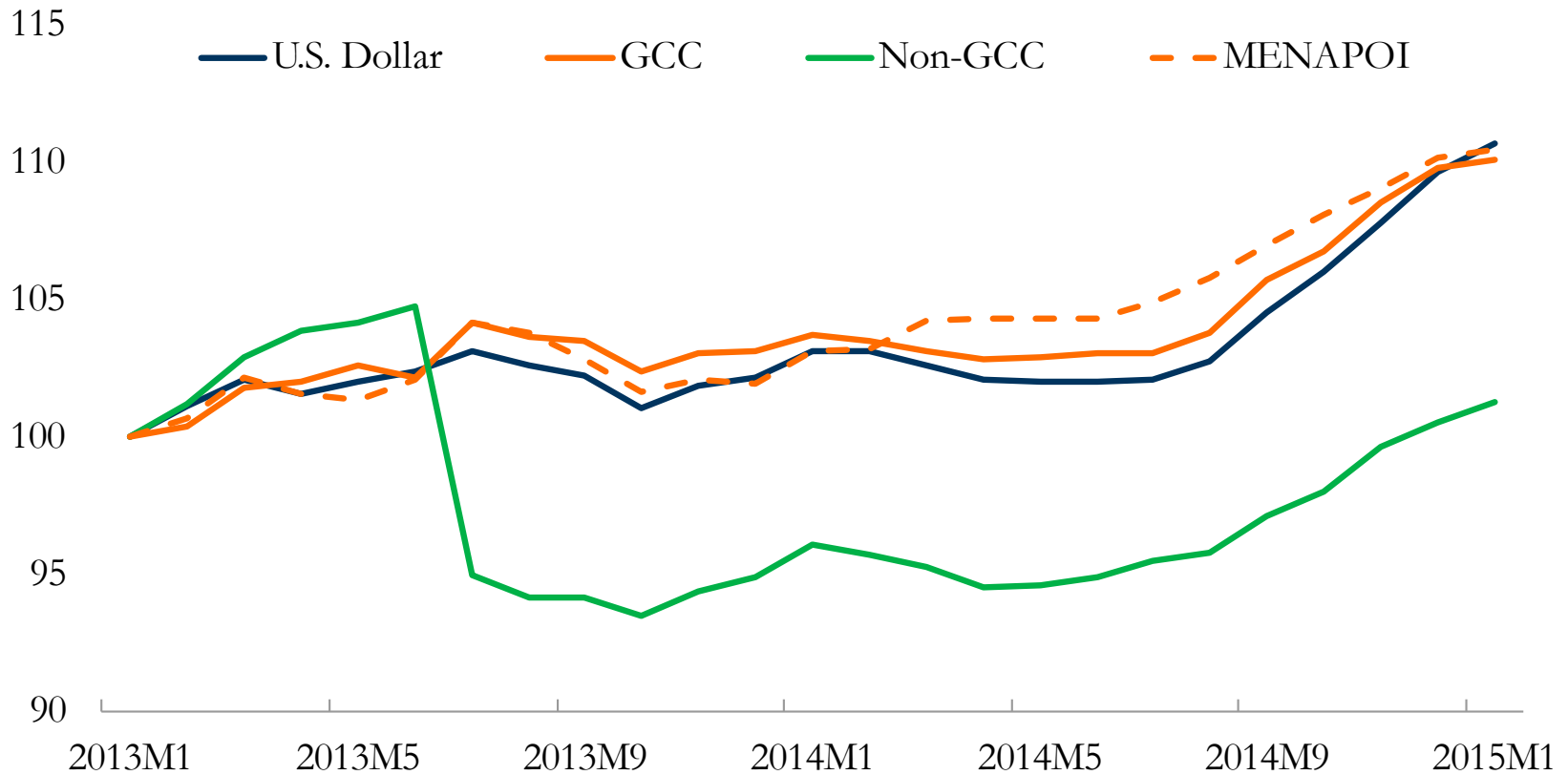
Sources: IMF, WEO Global Assumptions; and Bloomberg, L.P.



# The U.S. dollar has appreciated, pushing up MENAP currencies

## Real Effective Exchange Rate

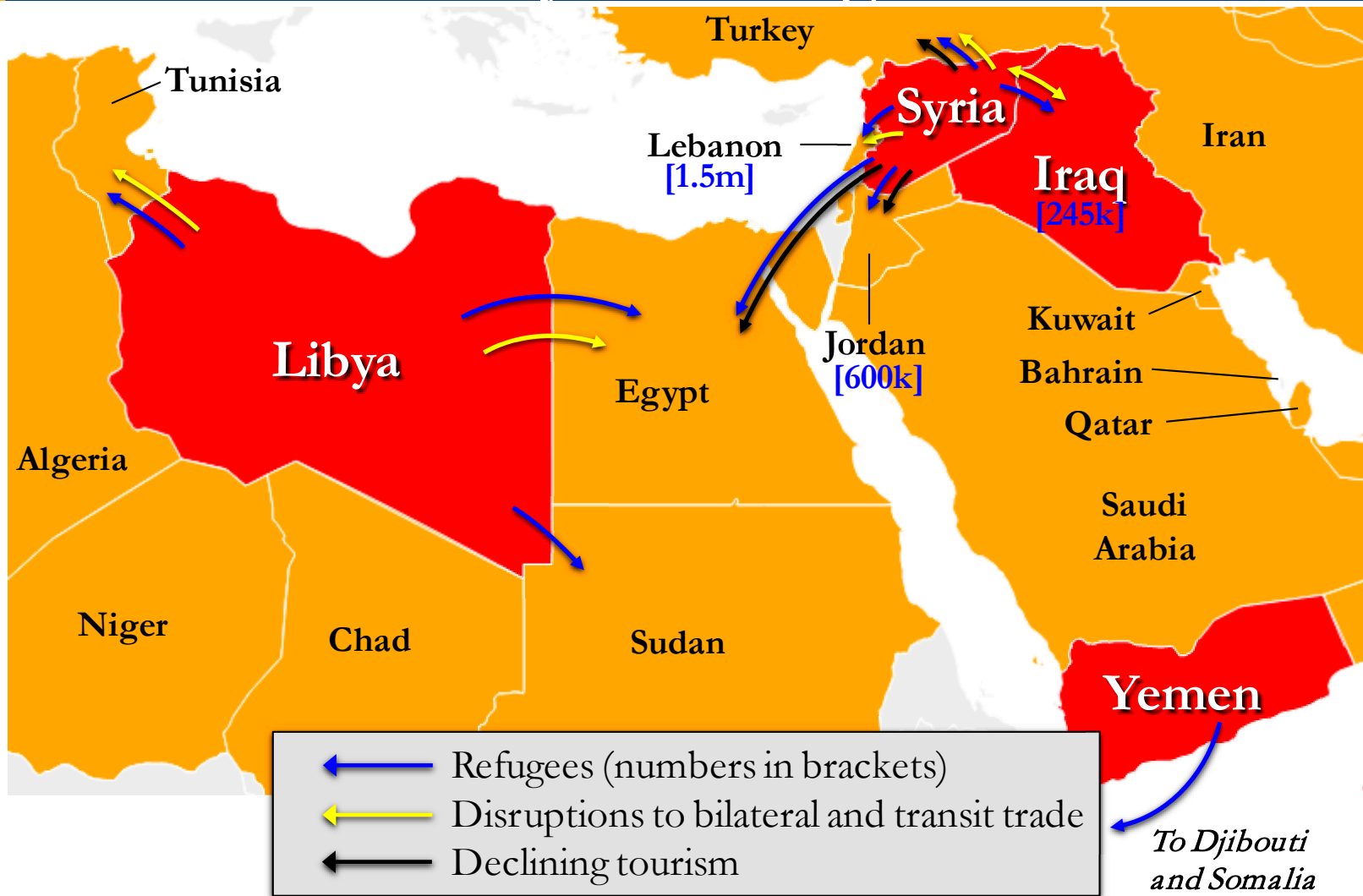
(Index, January 2013=100)



Source: IMF INS database.



# Continuing conflicts weigh on confidence and economic activity in the region



Note: The country names and borders on this map do not necessarily reflect the IMF's official position.

# Agenda

**Global Environment**

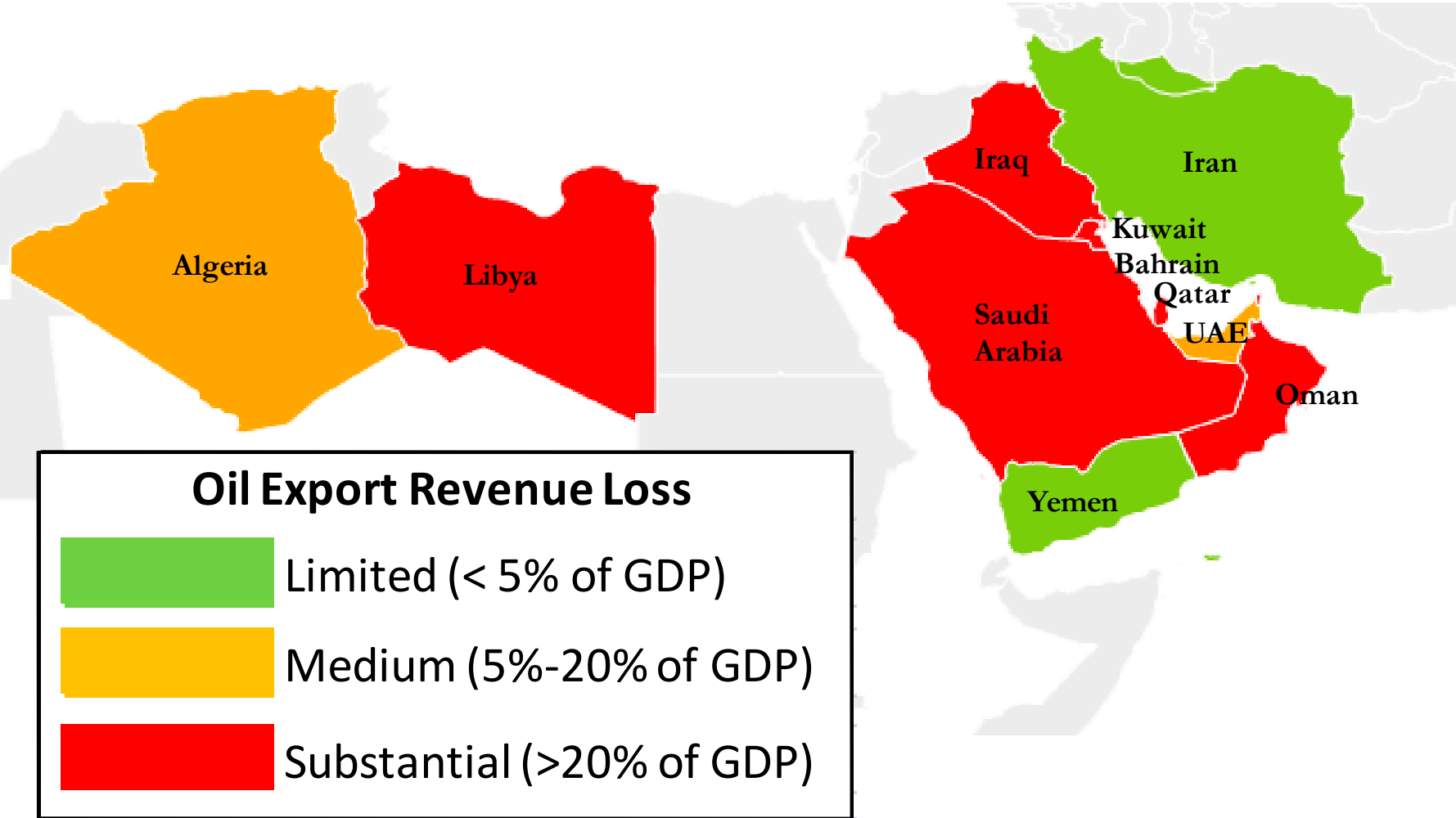
**MENAP Oil Exporters**

**MENAP Oil Importers**





# Export revenues are now projected to be \$380 billion (16 percent of GDP) lower in 2015



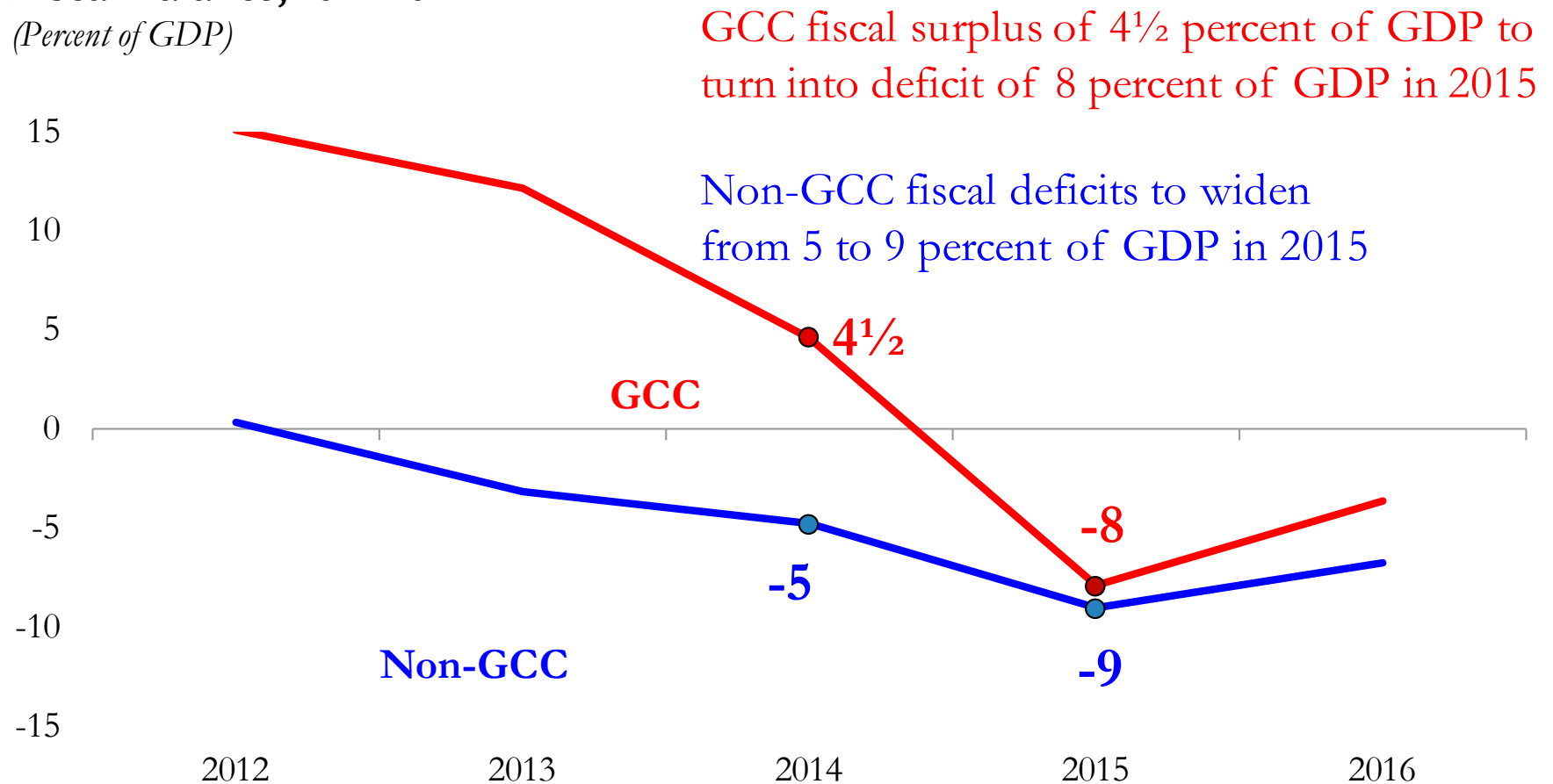
Sources: National authorities; and IMF staff calculations.



# Fiscal positions are weakening, and surpluses are turning into deficits in the GCC

## Fiscal Balance, 2012-20

(Percent of GDP)



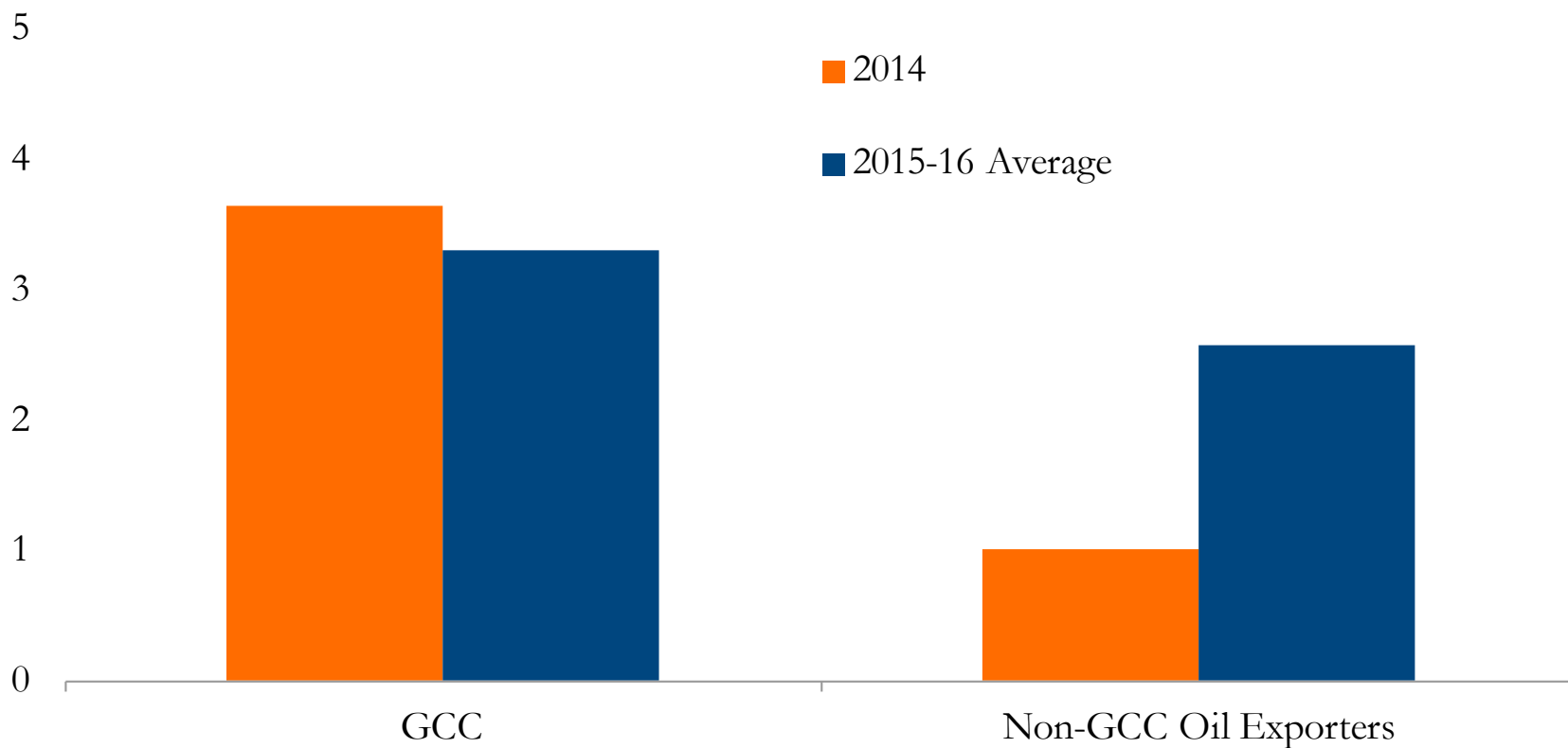
Sources: National authorities; and IMF staff calculations.



# Growth robust on still-strong government spending

## Real GDP Growth

(Percent)



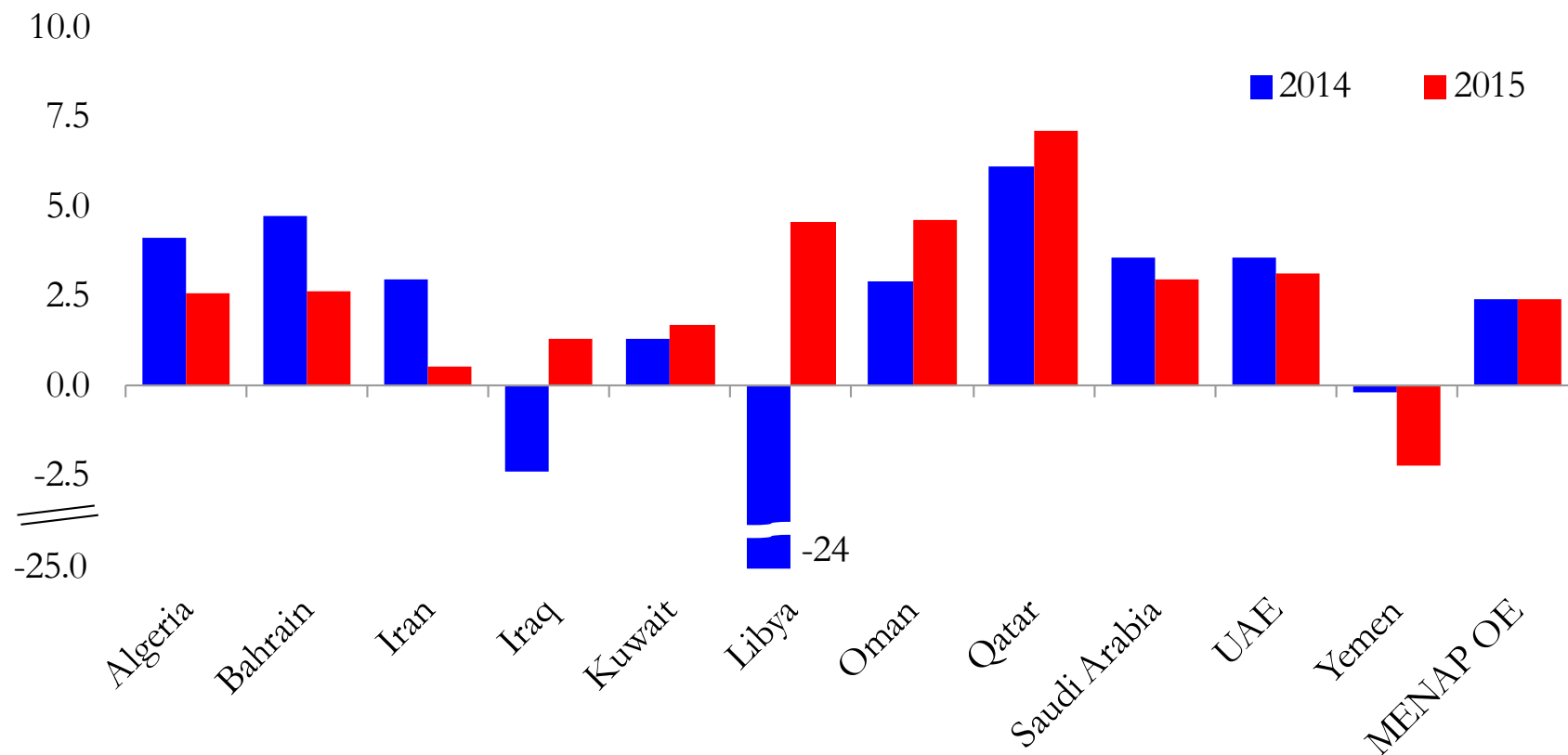
Sources: National authorities; and IMF staff calculations.



# Country-specific growth paths diverge

## Real GDP Growth

(Percent)

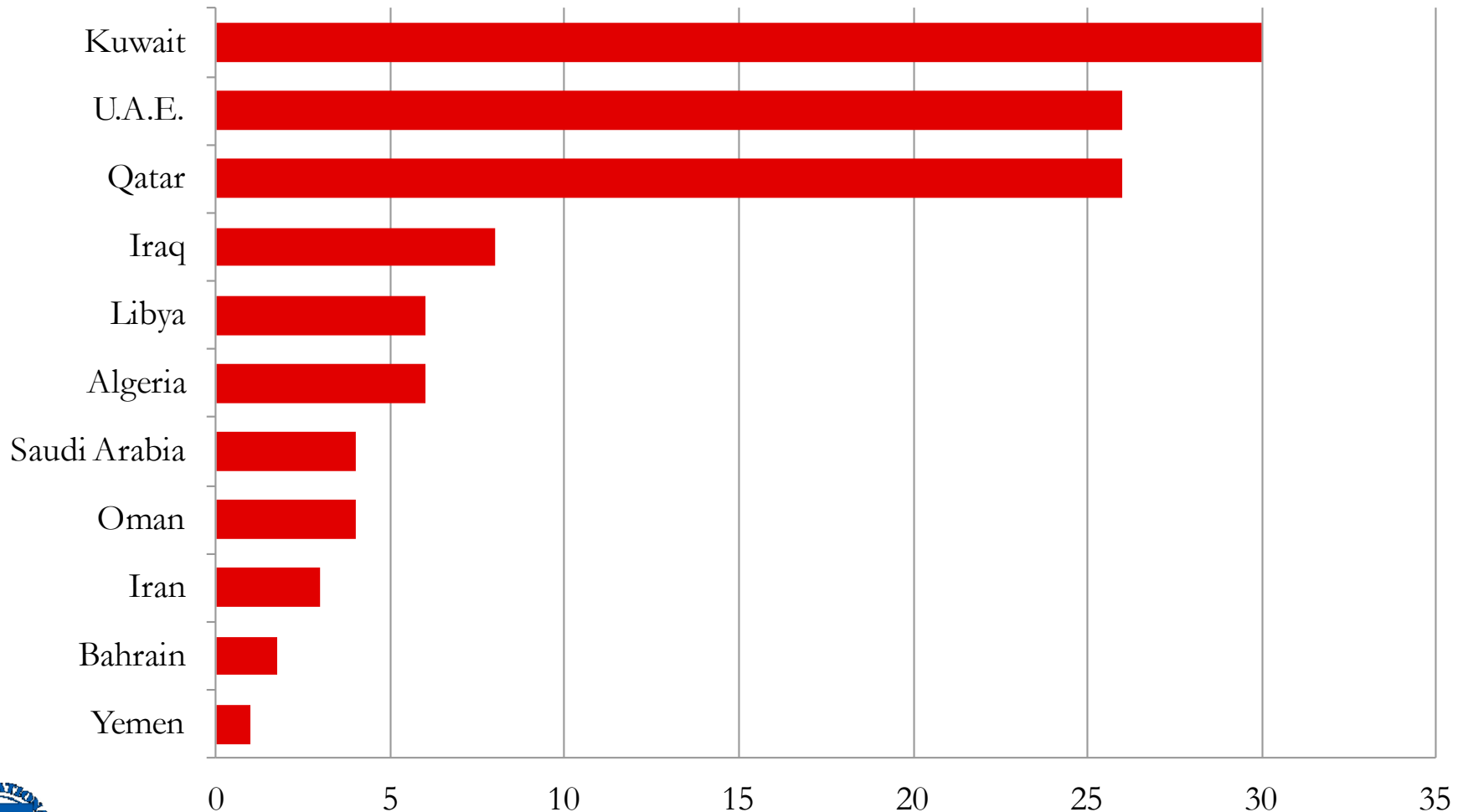


Sources: National authorities; and IMF staff calculations.



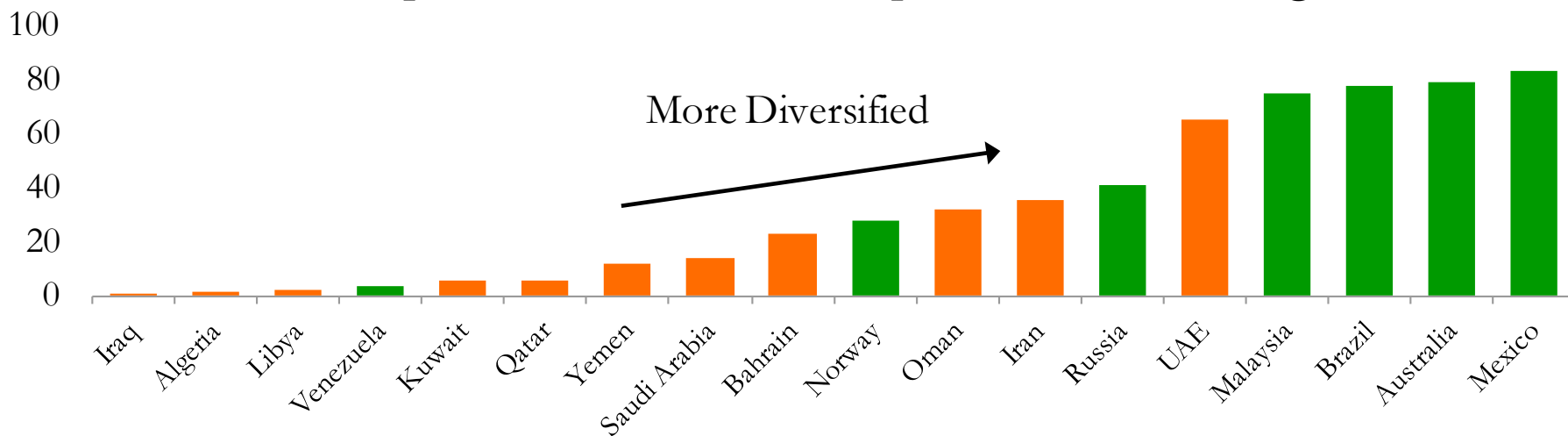
# Financial buffers will not last forever

## Number of Years Financial Reserves Will Last



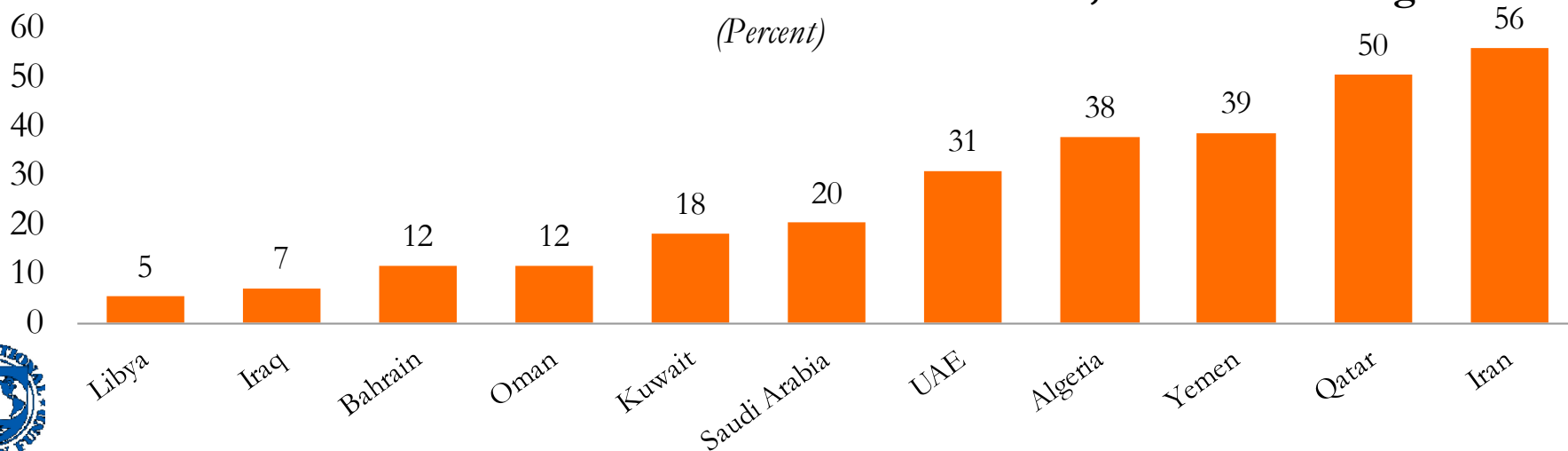
# A new, diversified growth model is needed

## Non-Oil Exports as a Share of Total Exports, 2012-2014 Average



## Non-Oil Revenues as a Share of Total Fiscal Revenues, 2012-2014 Average

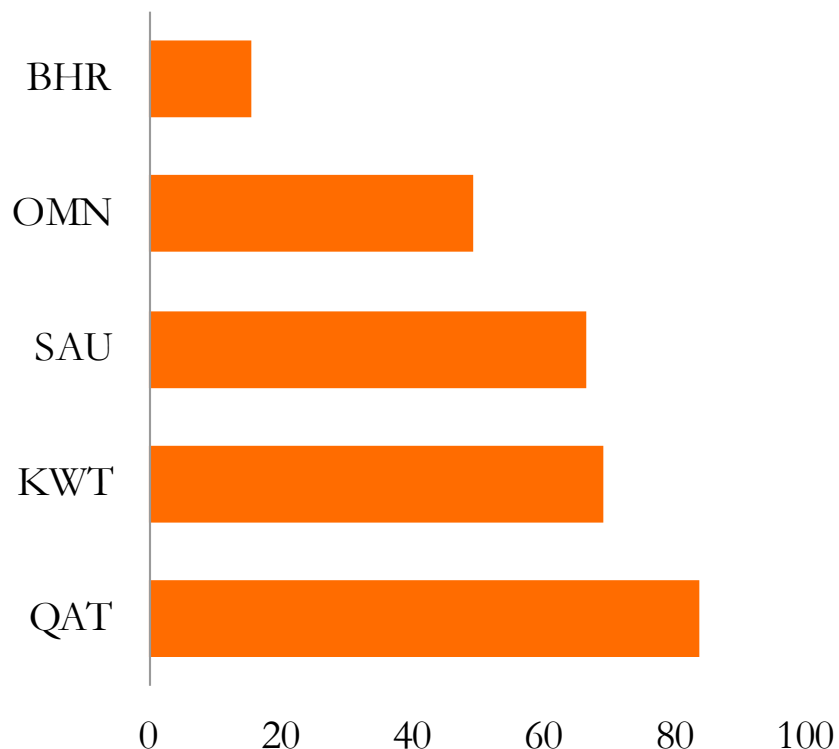
(Percent)



# Private sector needs to drive the economy and create jobs for nationals

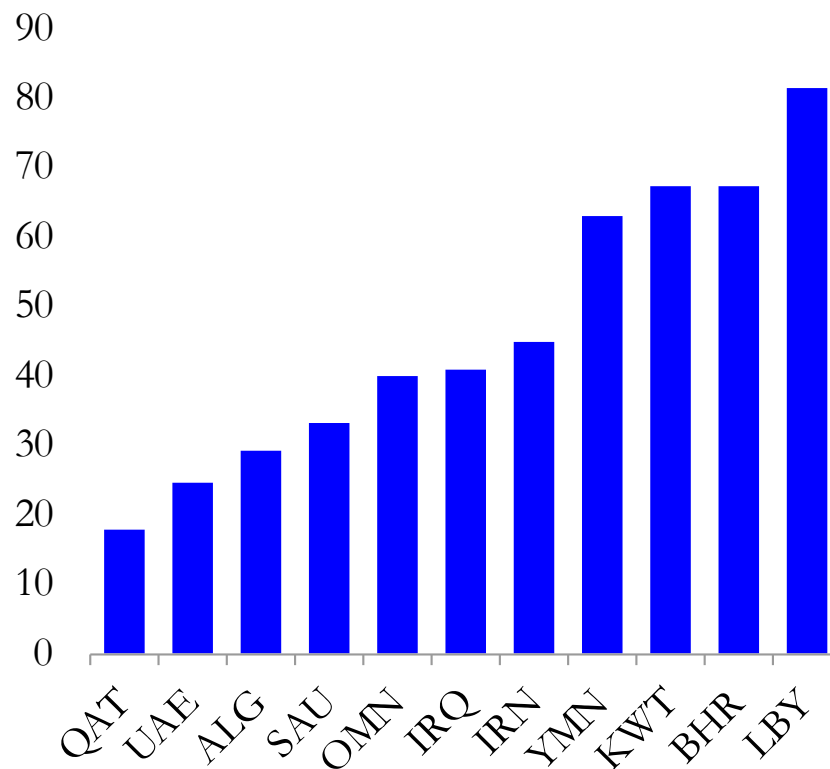
## GCC Nationals Employed by the Public Sector

*(Percent of Nationals Employed by the Public Sector)*



## Wages and Subsidies in Government Budgets

*(% of Total Spending)*



Sources: National authorities; and IMF staff calculations.

<sup>1</sup> 2006 is earliest for Qatar. UAE data only available for 2009.



# Structural reform agenda centers on reducing red tape in GCC and broad-based reforms in non-GCC



Sources: World Bank; World Economic Forum; PRS Group; and IMF staff calculations.





# MENAP Oil Exporters

- The slump in oil prices will result in large revenue losses (\$380 billion in 2015 compared to earlier projections).
- Nonetheless, GCC and non-GCC growth is projected to remain steady in 2015 ( $3\frac{1}{2}$  and  $1\frac{1}{4}$  percent respectively).
- Fiscal consolidation is needed over the medium term to ensure fiscal sustainability and intergenerational equity.
- A move to a new growth model led by a diversified private sector would help sustain economic growth.



# Agenda

**Global Environment**

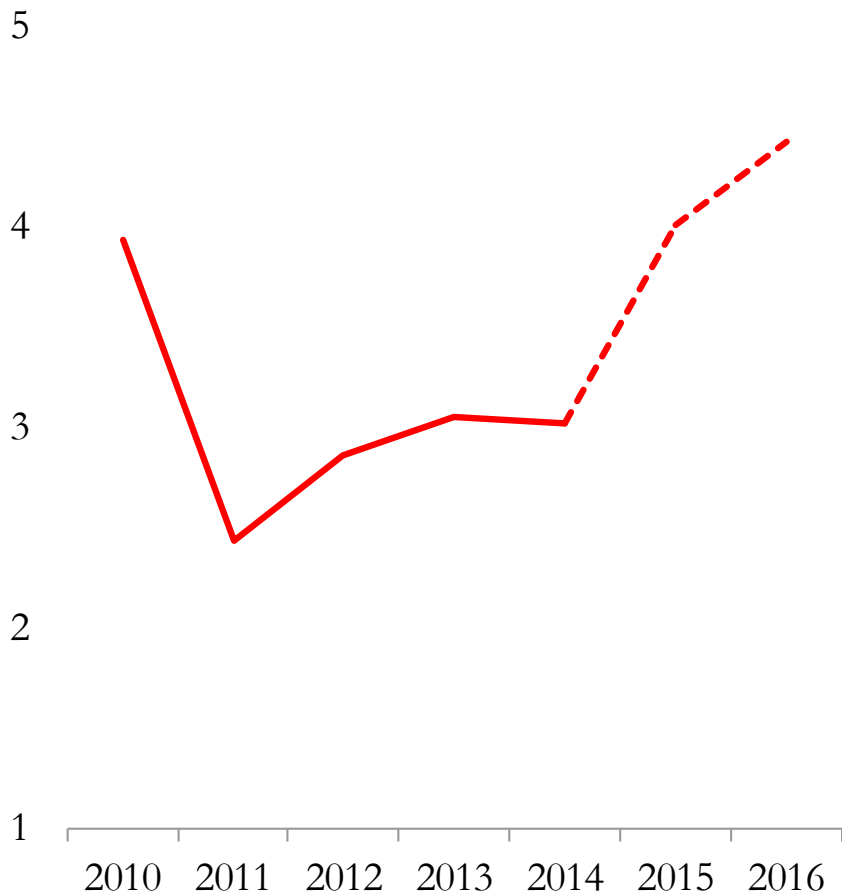
**MENAP Oil Exporters**

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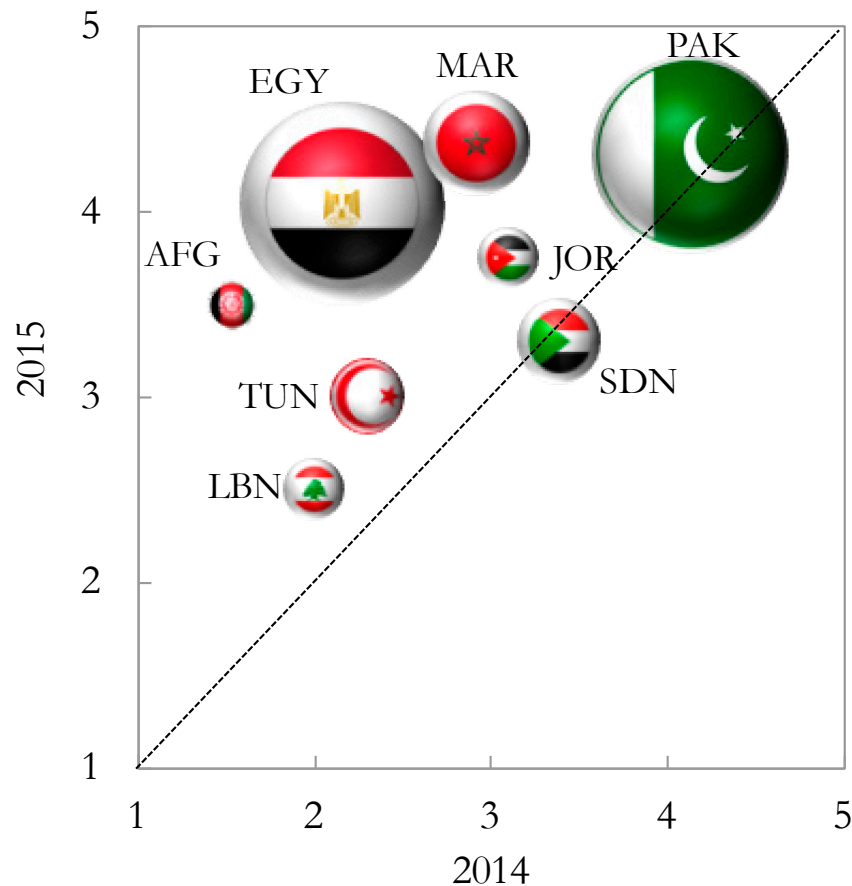


# After four years, the weak recovery is picking up steam

**Real GDP Growth**  
(Percent)



**Real GDP Growth**  
(Percent)



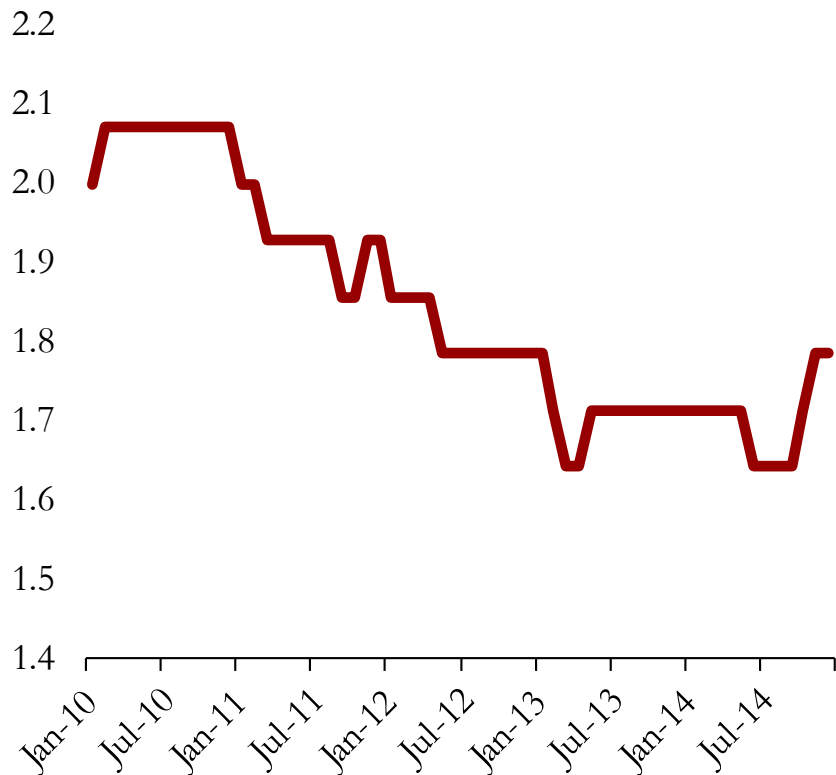
Sources: National authorities; and IMF staff calculations.



# Improving confidence is helping raise investment and consumption

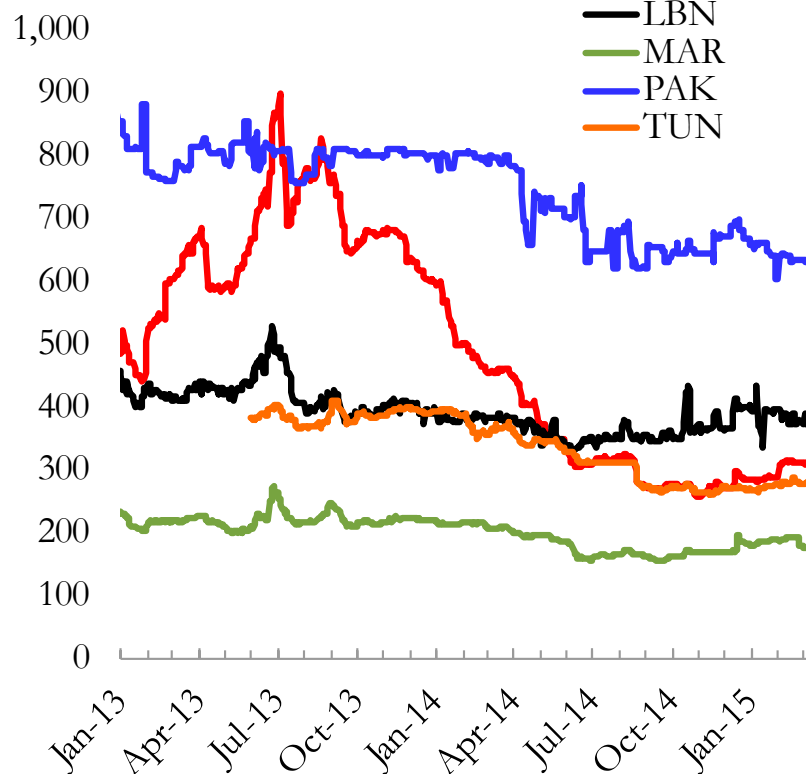
## Consumer Confidence

(0 to 4 scale; higher is better)



## CDS Spreads

(in basis points)



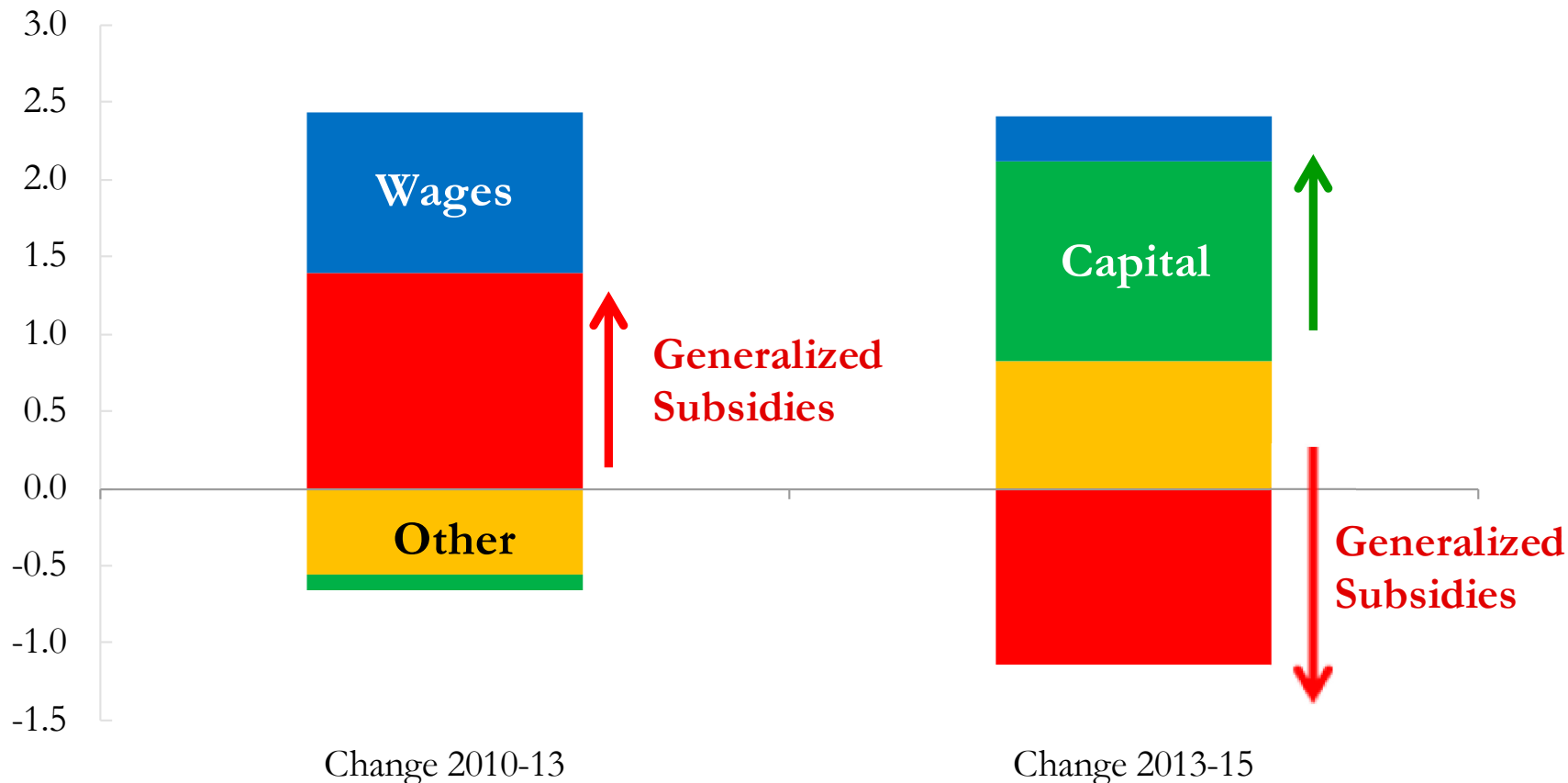
Sources: ICRG; national authorities; and IMF staff calculations.



# Subsidy reforms have created space for growth-enhancing spending

## Change in Expenditure<sup>1</sup>

(Percent of GDP)

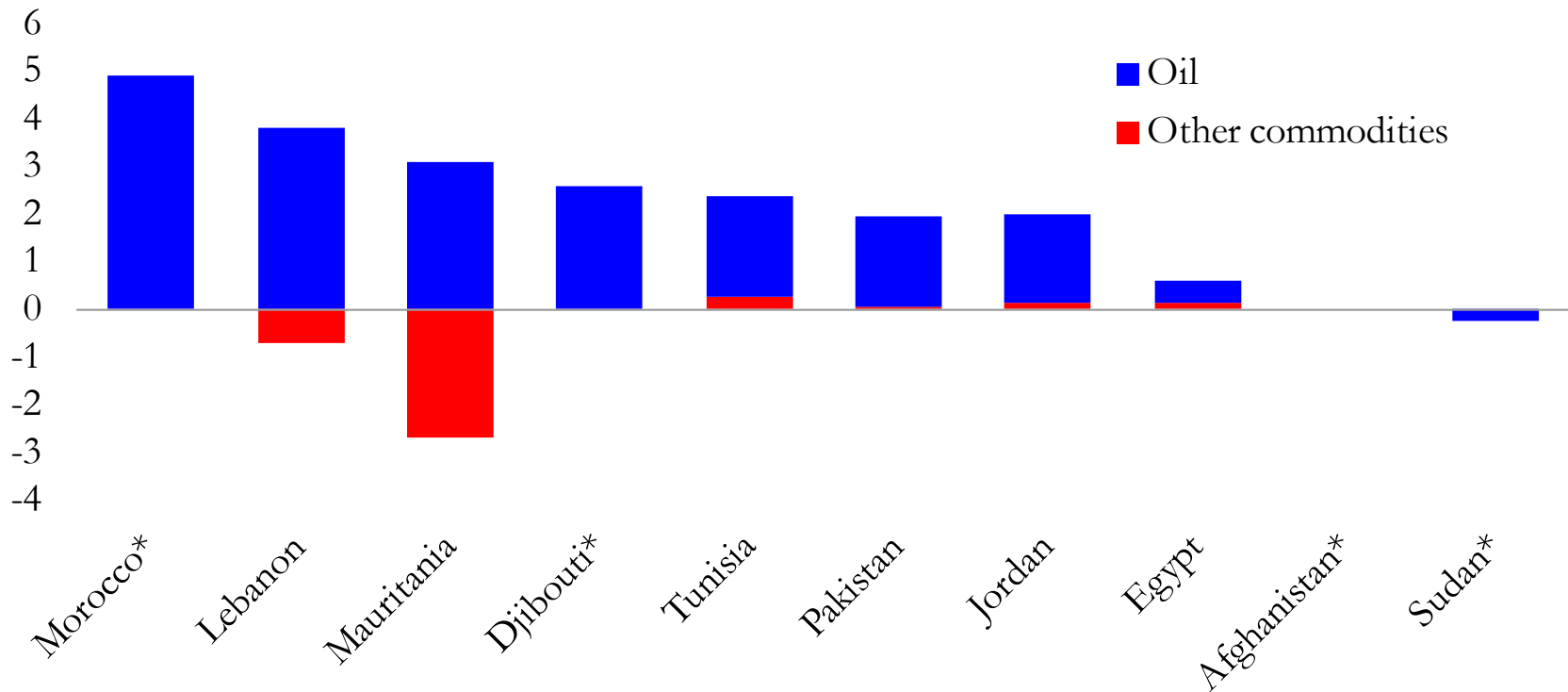


Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Excludes Pakistan.

# Lower oil prices are reducing oil import bills

## External gains from lower commodities prices, 2015 (Percent of GDP)



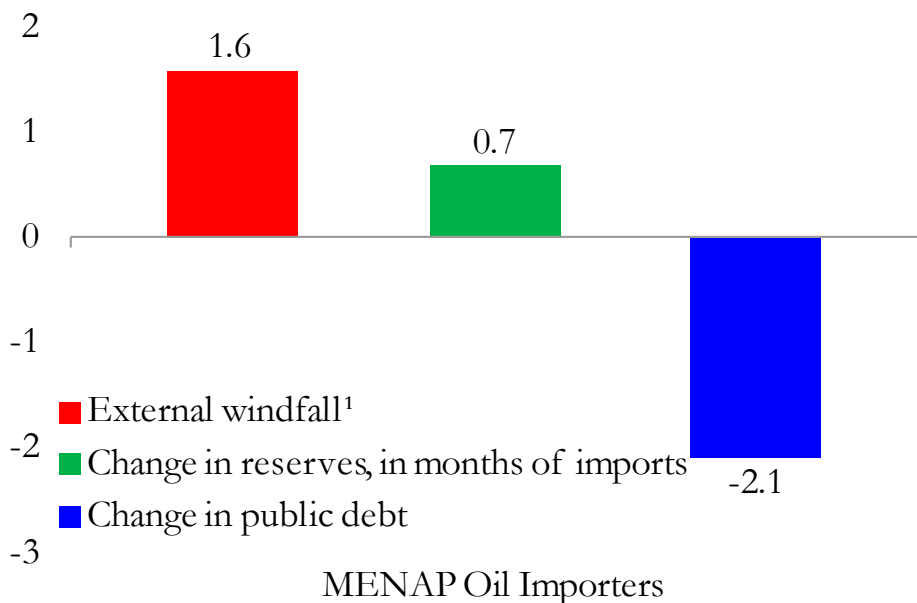
\*Data limitations preclude estimating non-oil commodities' windfall for starred countries. Non-oil windfall refers to gain/loss from changes in other commodity prices, including mining, metals, and agricultural products.  
Sources: World Bank WITS database; Haver; IMF WEO; national authorities; and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



# Gains from lower oil prices are being used to strengthen reserves and reduce public debt

## External Commodity Windfall, International Reserves and Public Debt, 2015

(Percent of GDP, unless specified otherwise, revision between October 2014 REO and May 2015 REO Update)

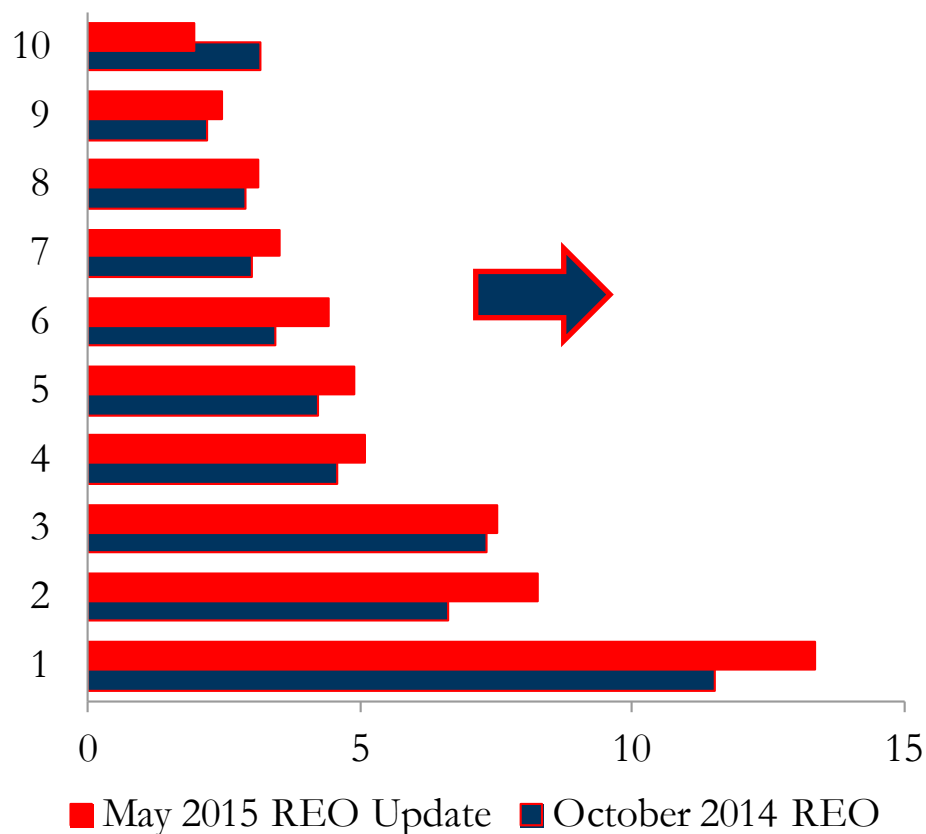


Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Based on 2015 oil price assumptions of \$58.14 (April 2015 WEO) compared to \$99.36 (October 2014 WEO).

## International Reserves, 2015

(Months of imports)



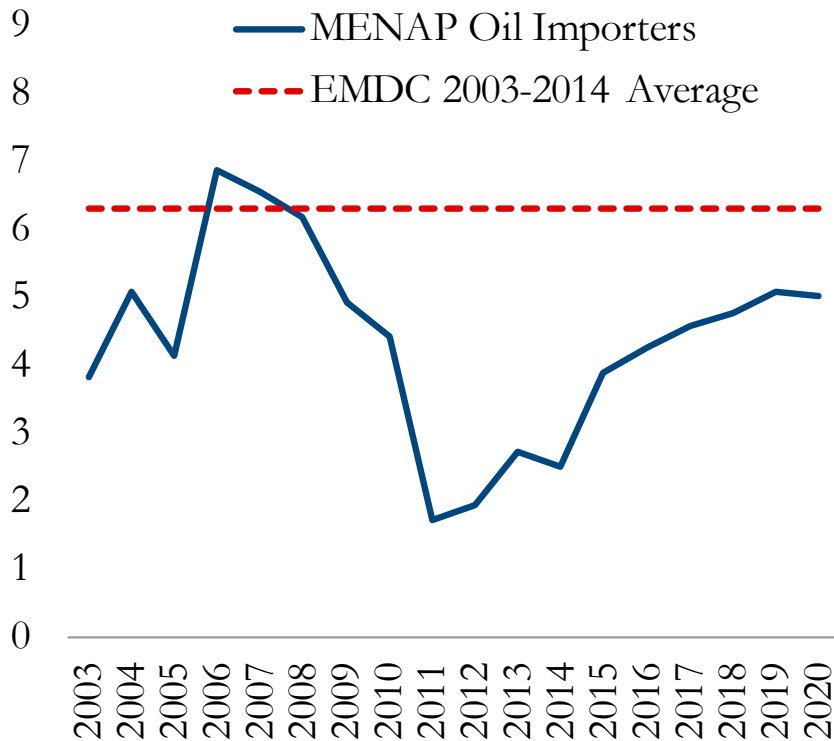
Sources: National authorities; and IMF staff



# Declining productivity and investment have been weakening medium-term growth prospects

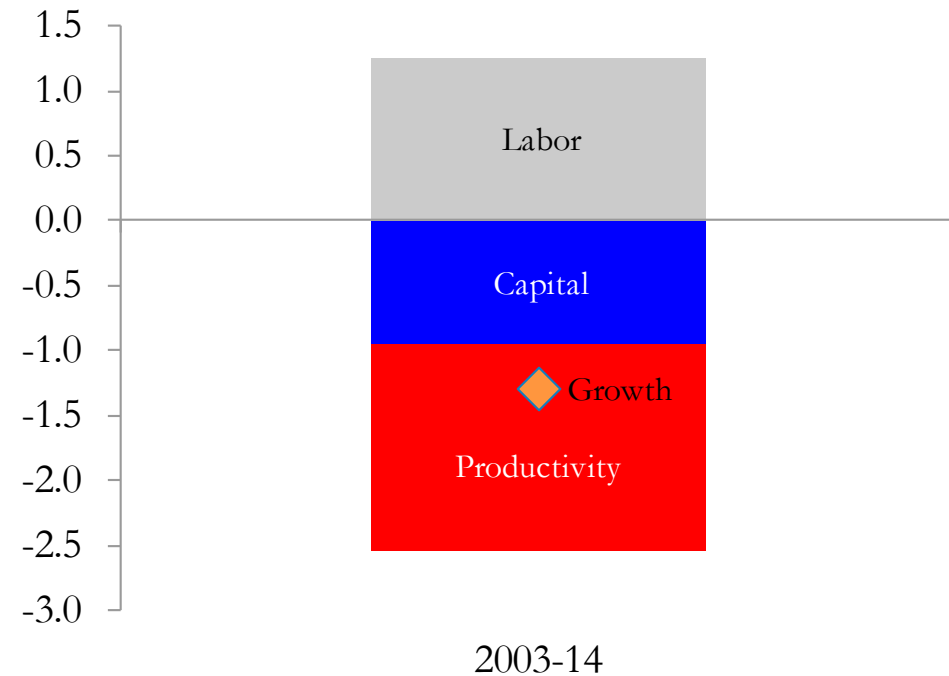
## Real GDP Growth

(Percent)



## Differences with EMDC

(Percentage points)



Sources: IMF, World Economic Outlook; Global Employment Trends; and IMF staff estimates.

Note: EMDC denotes Emerging Markets and Developing Countries.

Sources: IMF, World Economic Outlook, UN ILO, national authorities, and IMF staff estimates.

<sup>1</sup> Average potential growth of MENAP Oil Importers less that of EMDC average.

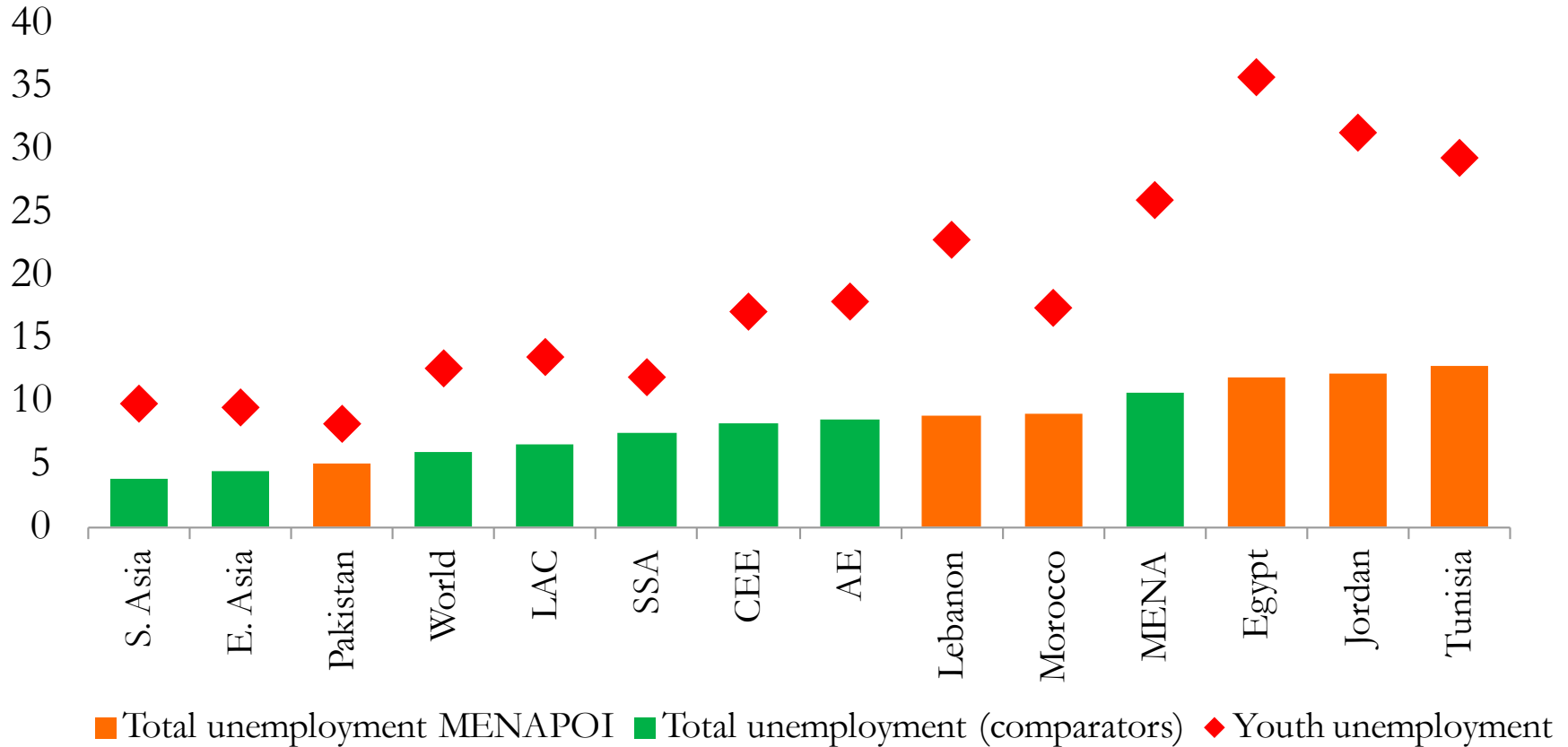




# High unemployment and lack of inclusiveness constrain economic potential

## Unemployment

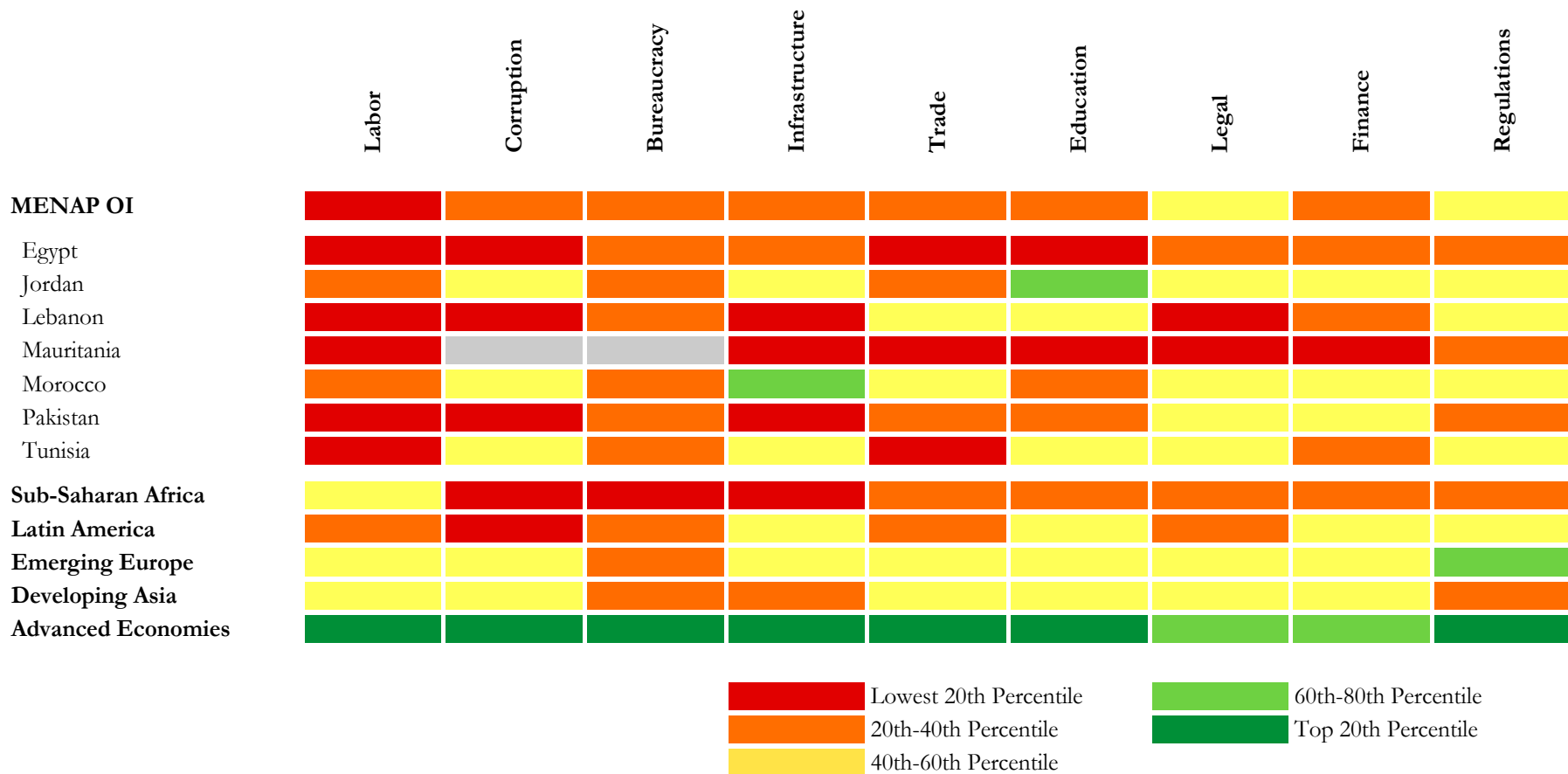
(Percent)



Sources: UNDP; International Labor Organization; national authorities; and IMF staff calculations.



# Multifaceted reforms are needed to improve economic prospects and create jobs



Sources: World Bank; World Economic Forum; PRS Group; and IMF staff calculations.



# MENAP Oil Importers

- Growth expected to rise in the near term on the back of improved confidence. Security challenges and conflicts cloud the outlook.
- Lower oil prices helping reduce vulnerabilities but incomplete pass-through limits impact on growth.
- Where vulnerabilities are high, saving oil windfall would help. Otherwise, oil windfall can finance growth-enhancing spending.
- Conditions are favorable for further subsidy reforms, exchange rate flexibility, and structural reforms to raise medium-term growth and make it more inclusive.



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