



**Middle East and Central Asia
Regional Economic Outlook
and
Overview of Recent Economic Developments in the West
Bank and Gaza**

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What is the Regional Economic Outlook?

Purpose

When?

**Published with WEO and
GFSR**

Overview

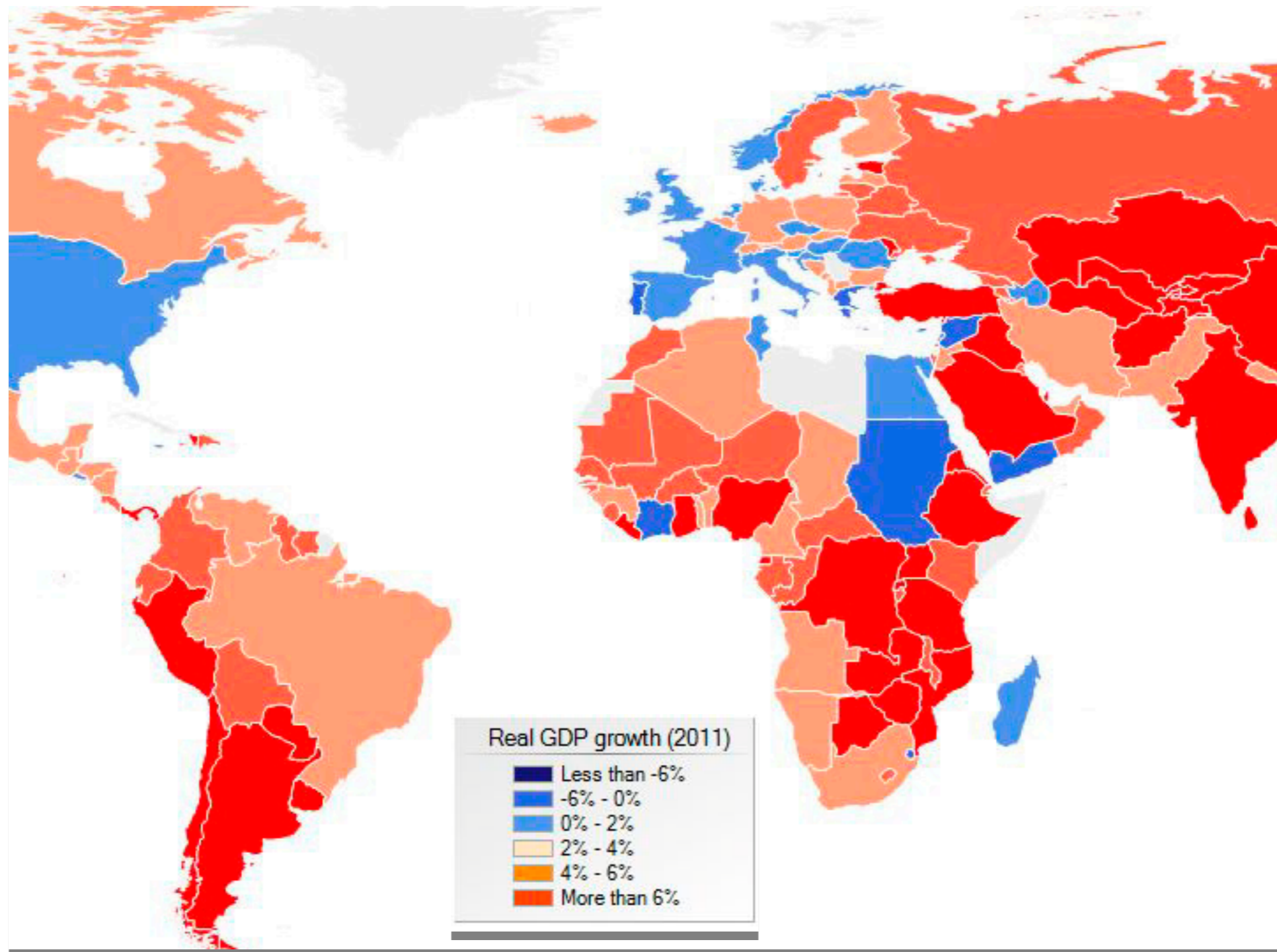
Global Outlook

MENAP Oil Exporters

MENAP Oil Importers

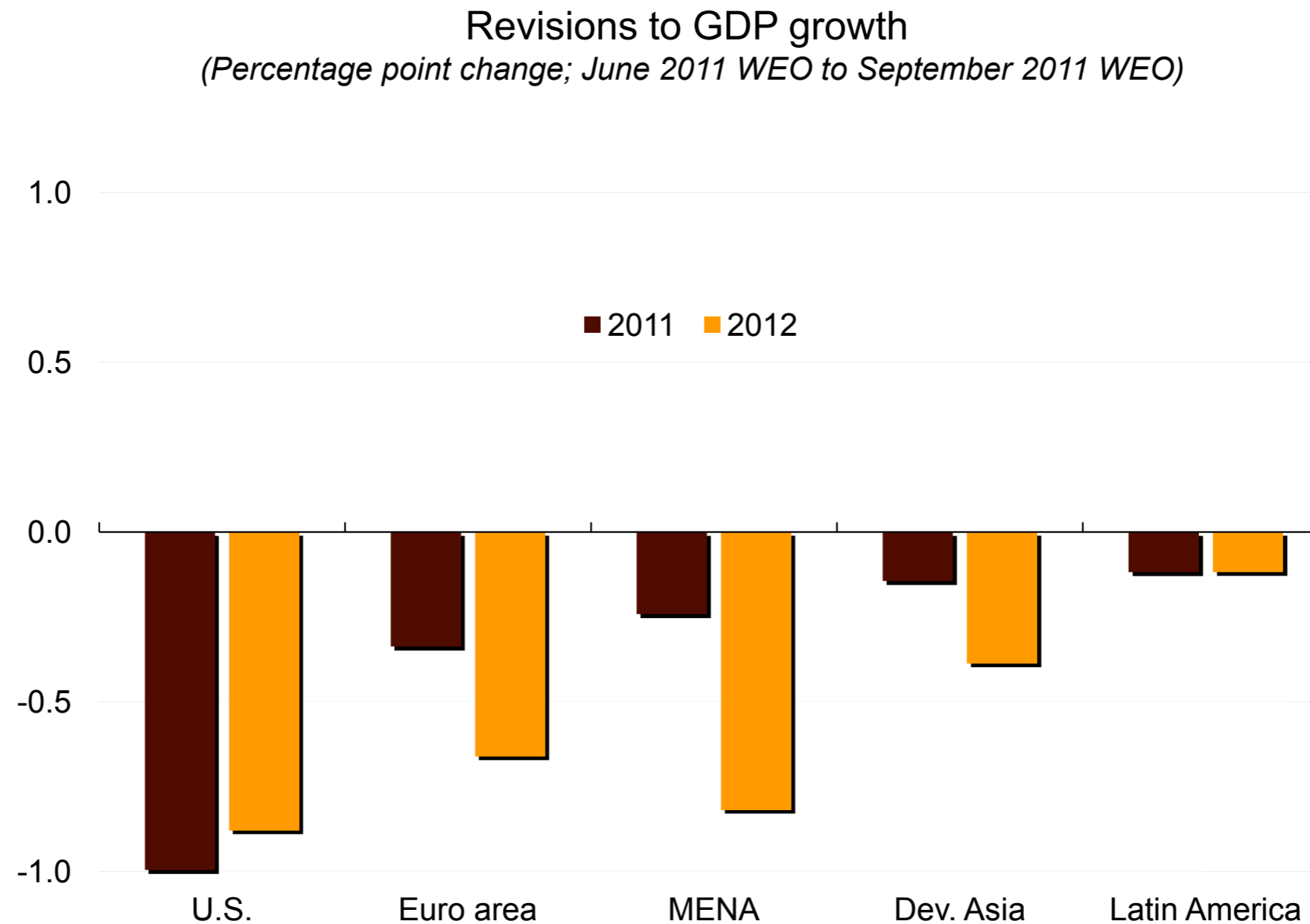
West Bank and Gaza

Uneven recovery



Source: IMF, *World Economic Outlook*.

Global outlook has weakened



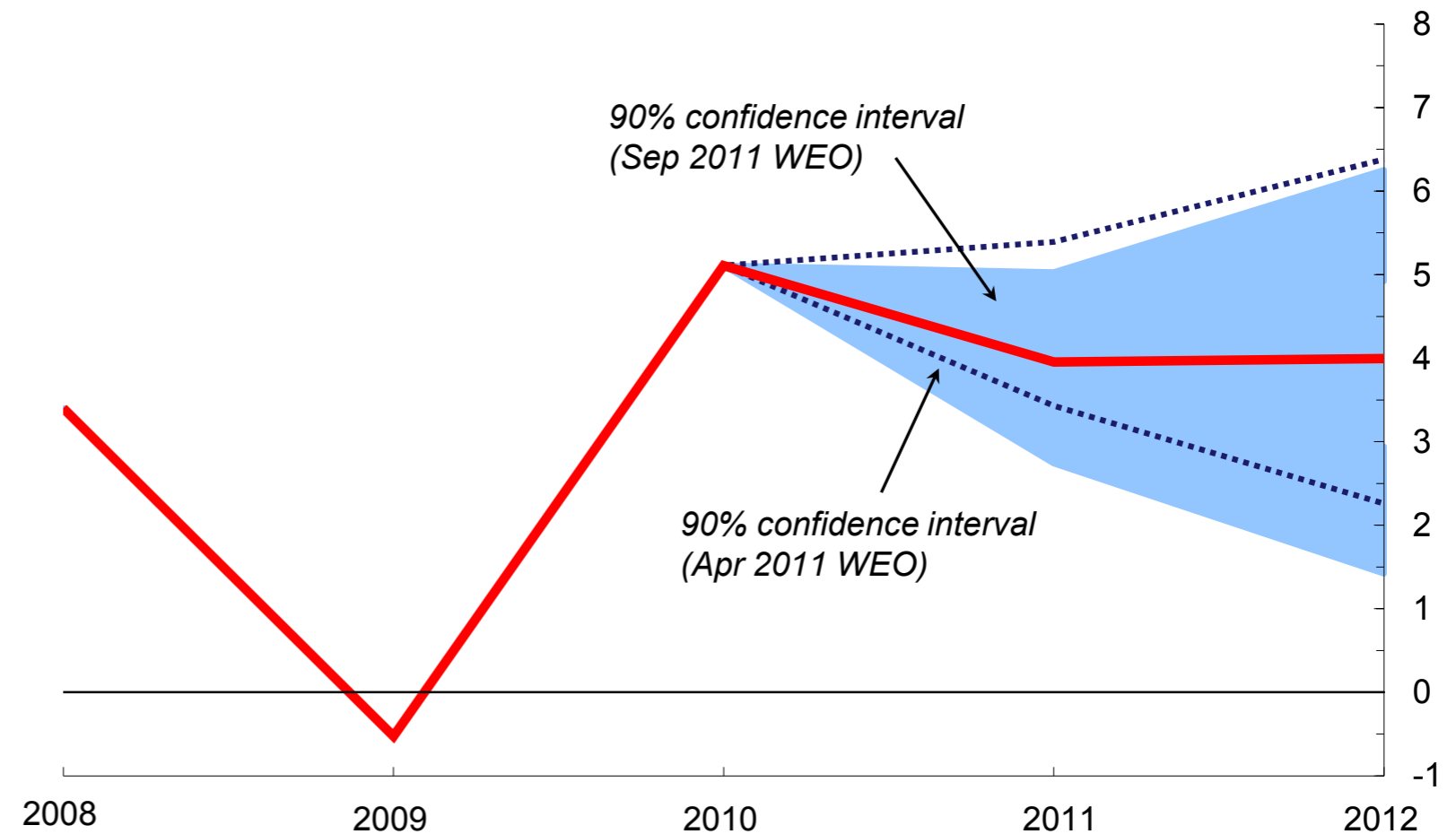
Sources: National authorities; and IMF staff calculations.

Downside risks have increased

Downside risks:

- Euro area crisis
- Advanced economy sovereign risks
- Escalating global financial volatility
- Oil supply concerns (risk of higher oil prices)

Prospects for world GDP growth
(Annual percent change)

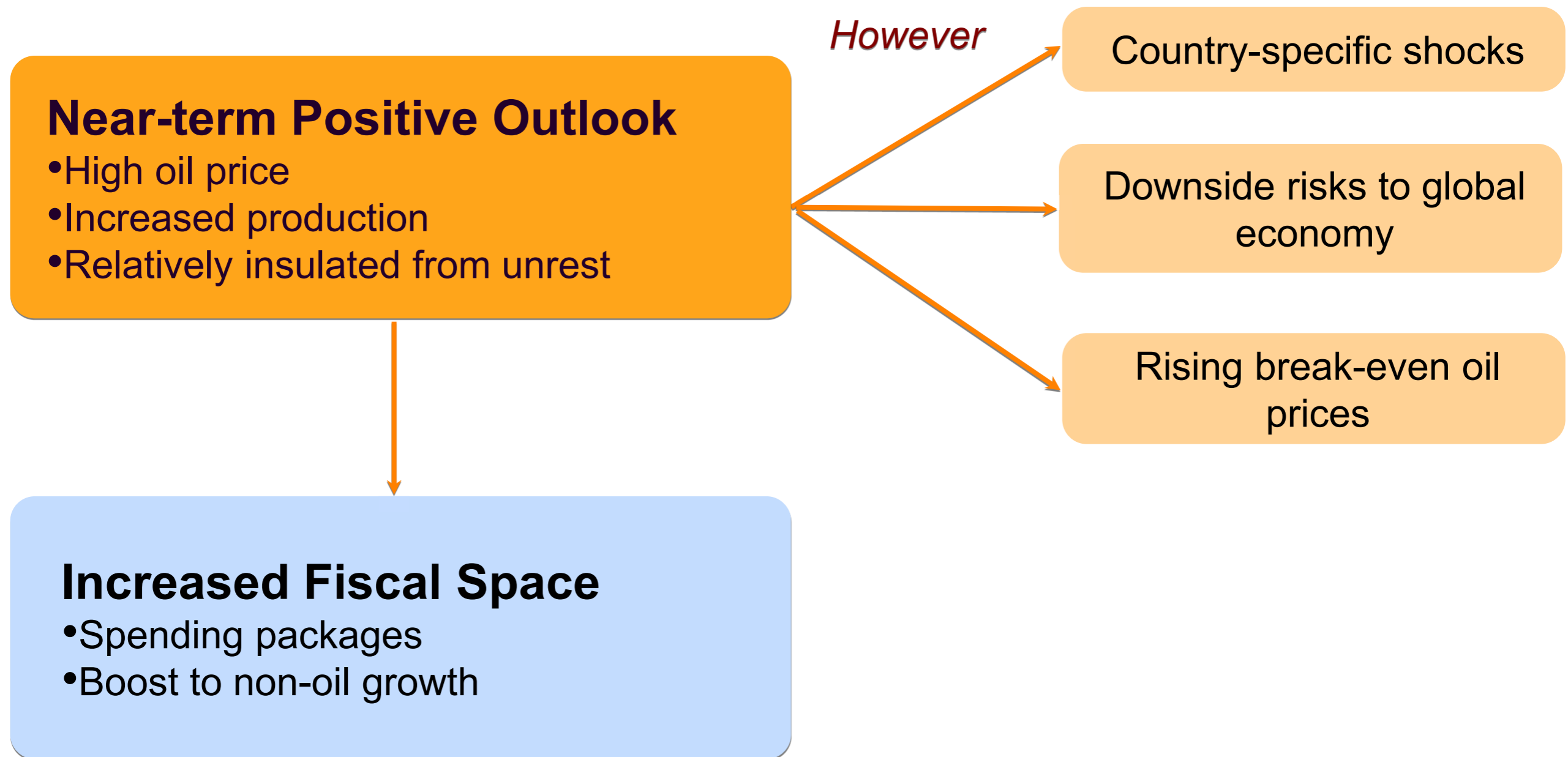


Source: IMF, *World Economic Outlook*.



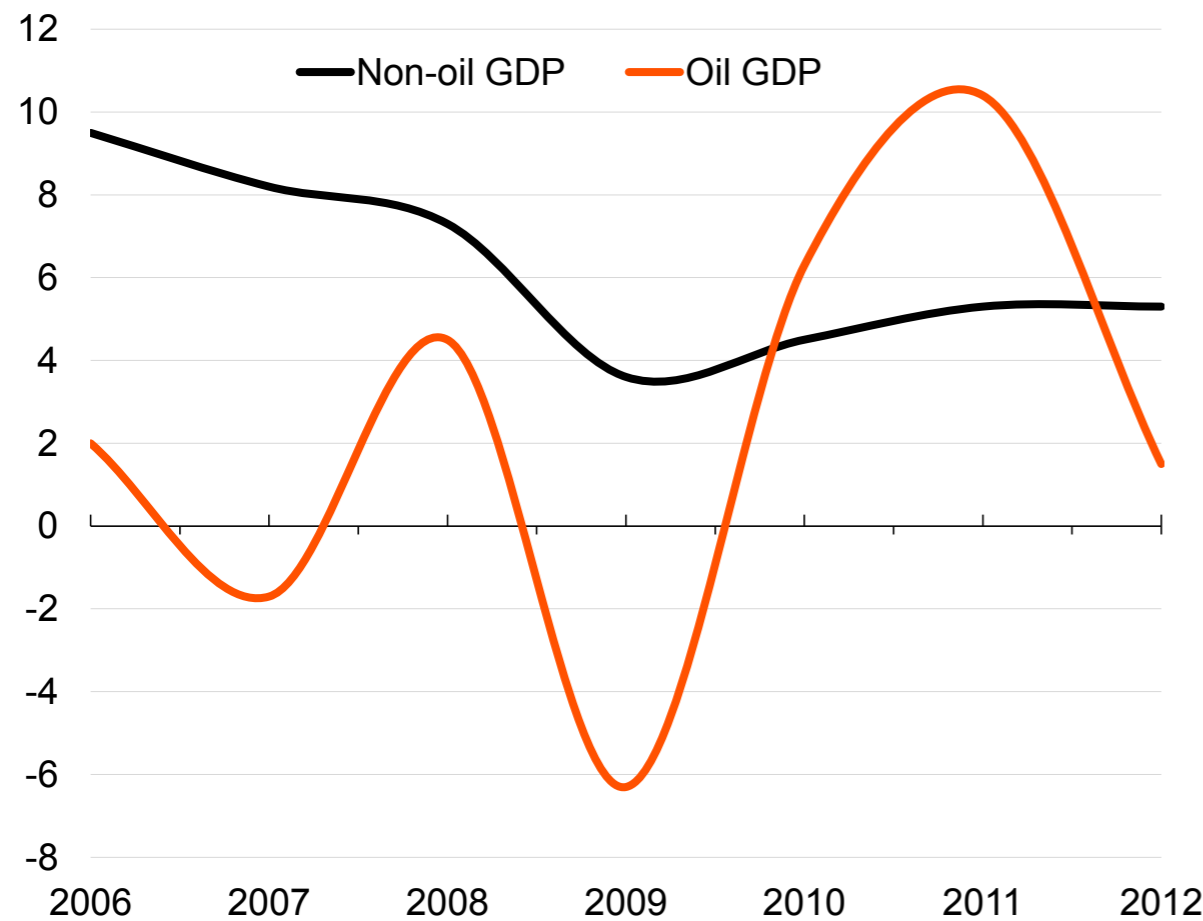
MENAP oil exporters

MENAP oil exporters: positive outlook, but growing risks

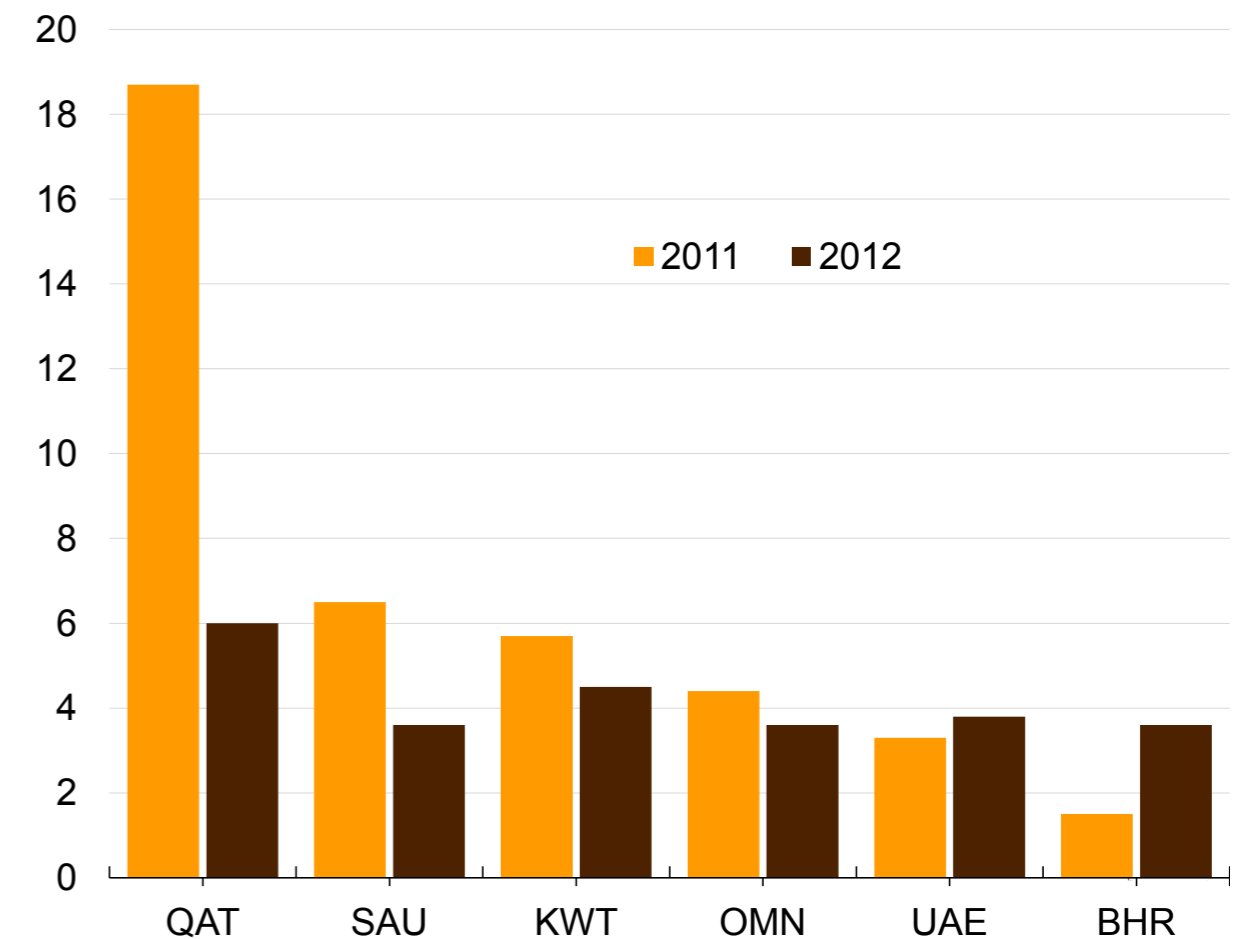


Oil sector spurs temporary uptick for the GCC

Real GDP in GCC countries
(Annual percent change)

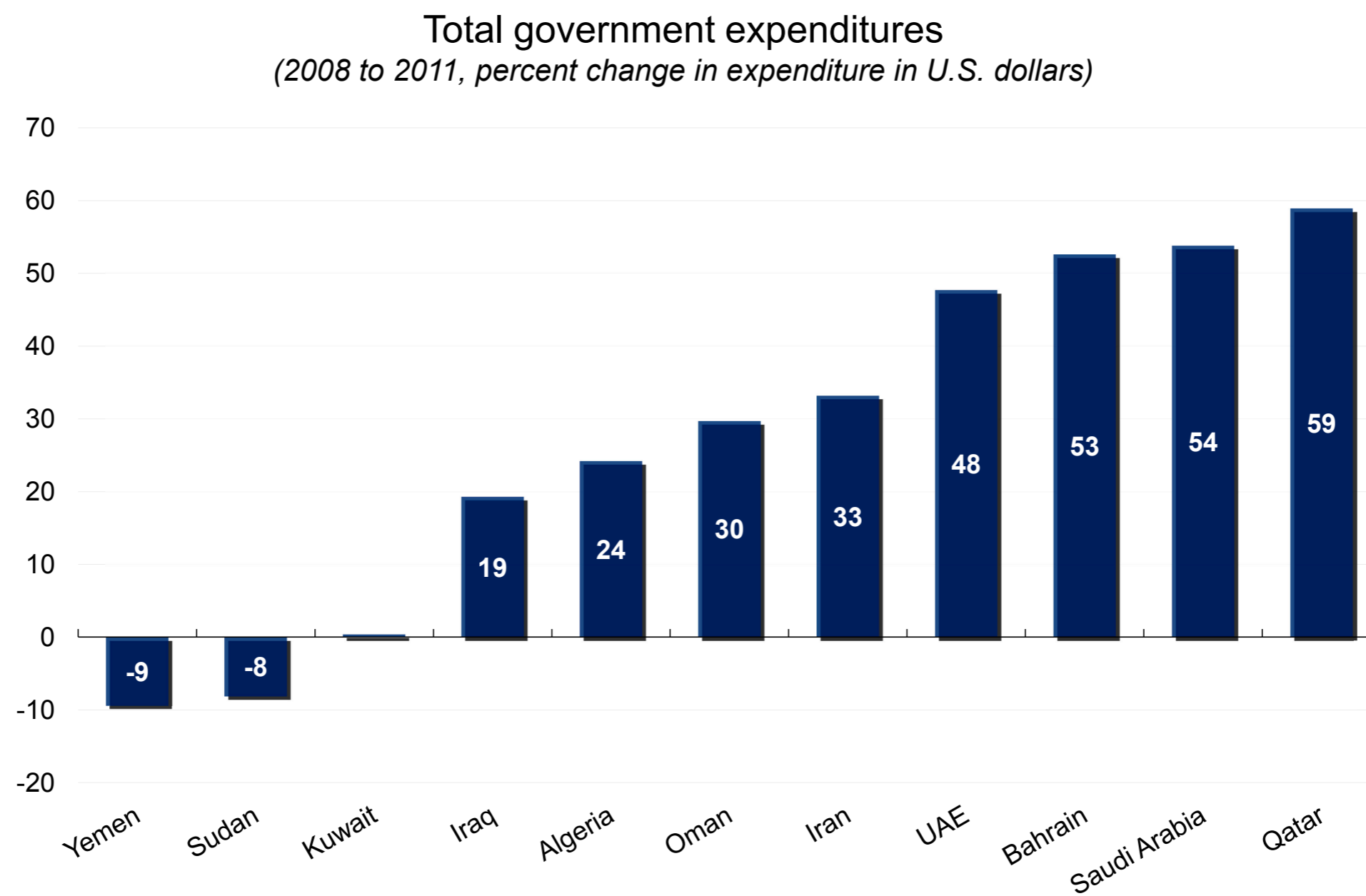


Real GDP
(Annual percent change)



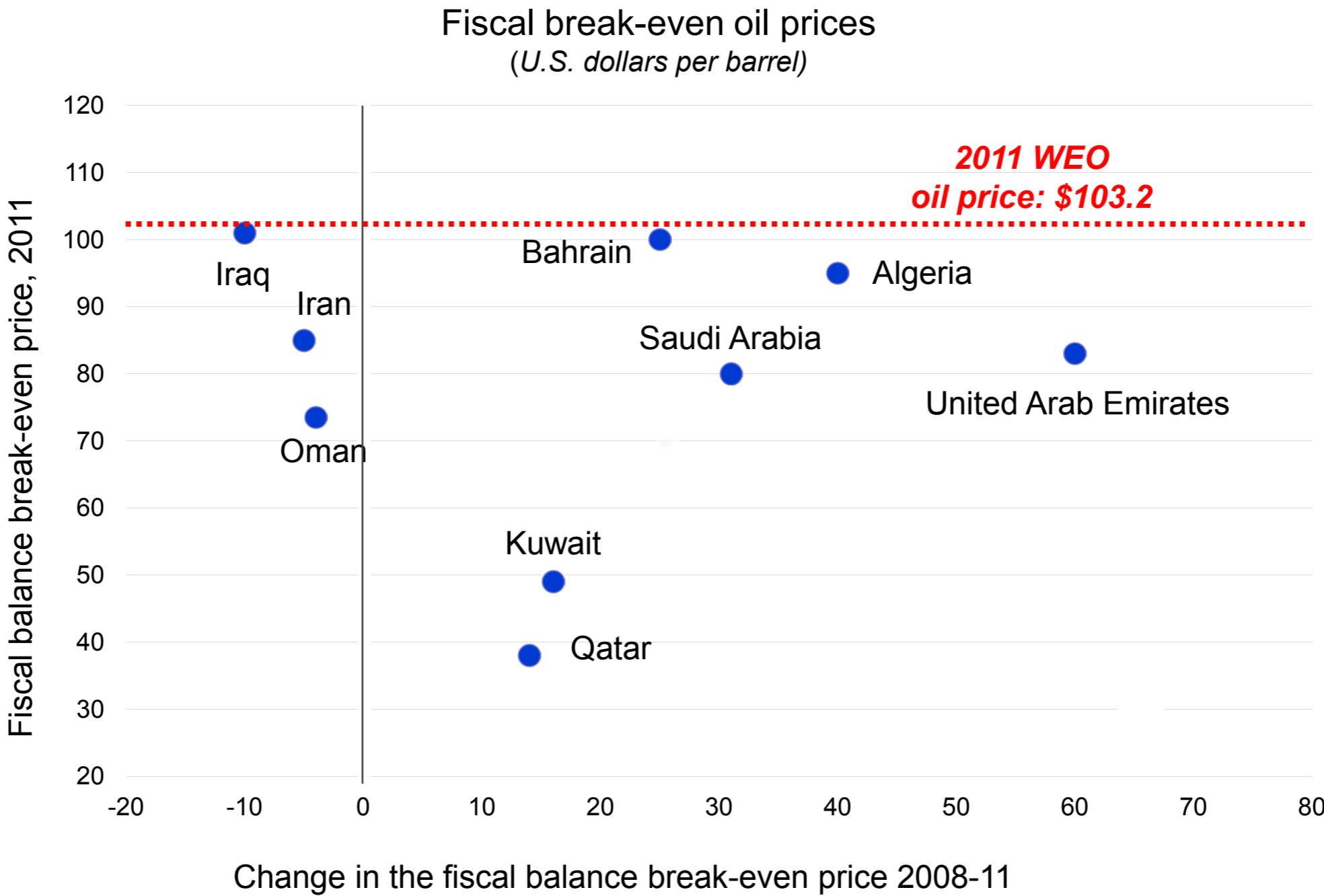
Sources: National authorities; and IMF staff calculations.

Spending has been ratcheting up

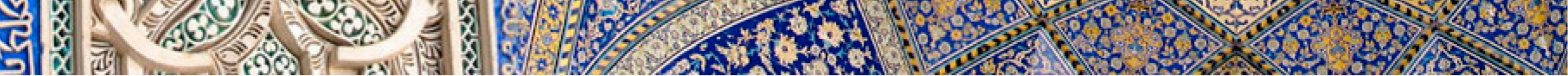


Sources: National authorities; and IMF staff calculations.

Vulnerability to downward oil price shocks has increased

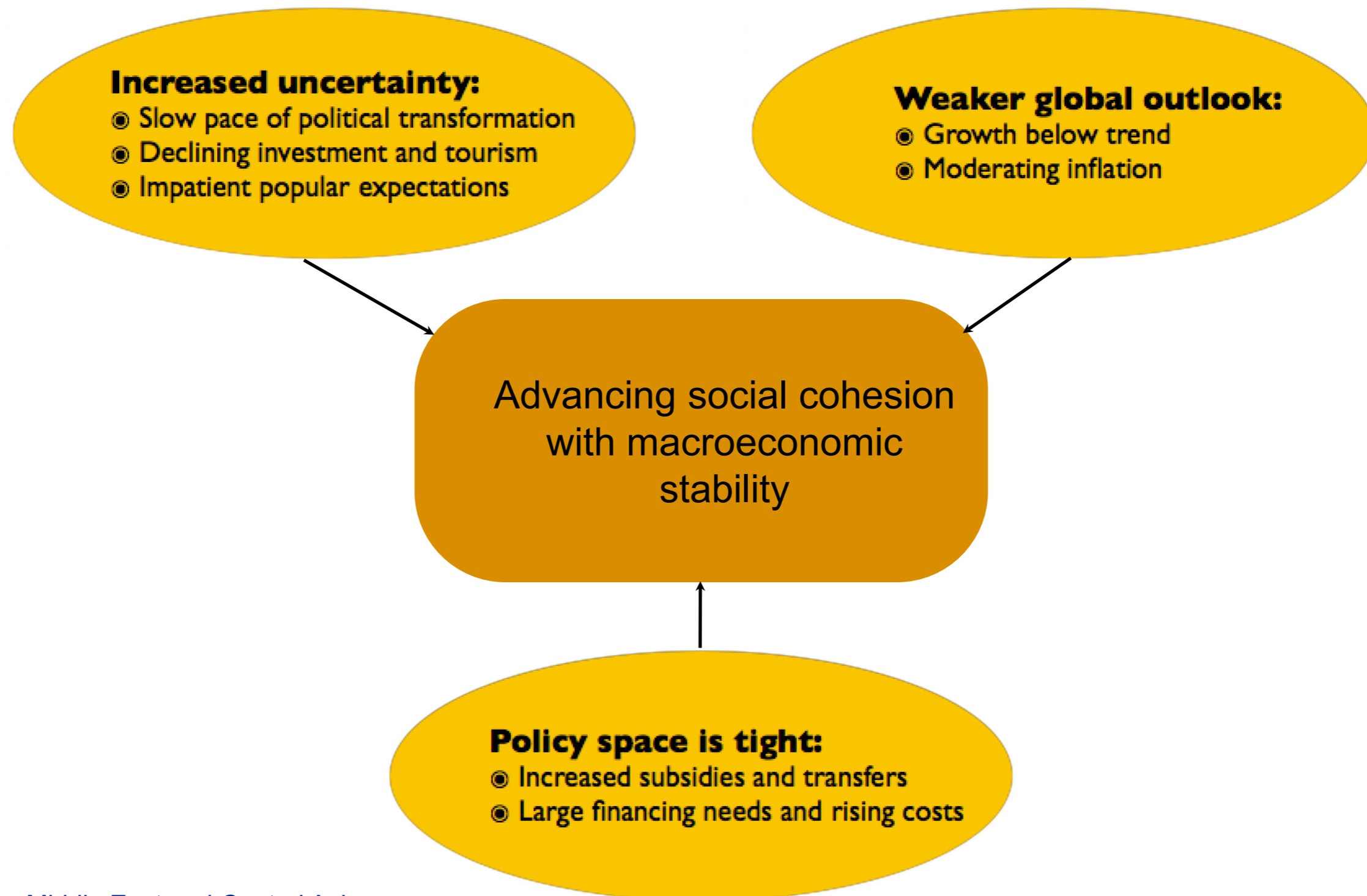


Sources: National authorities; and IMF staff calculations.

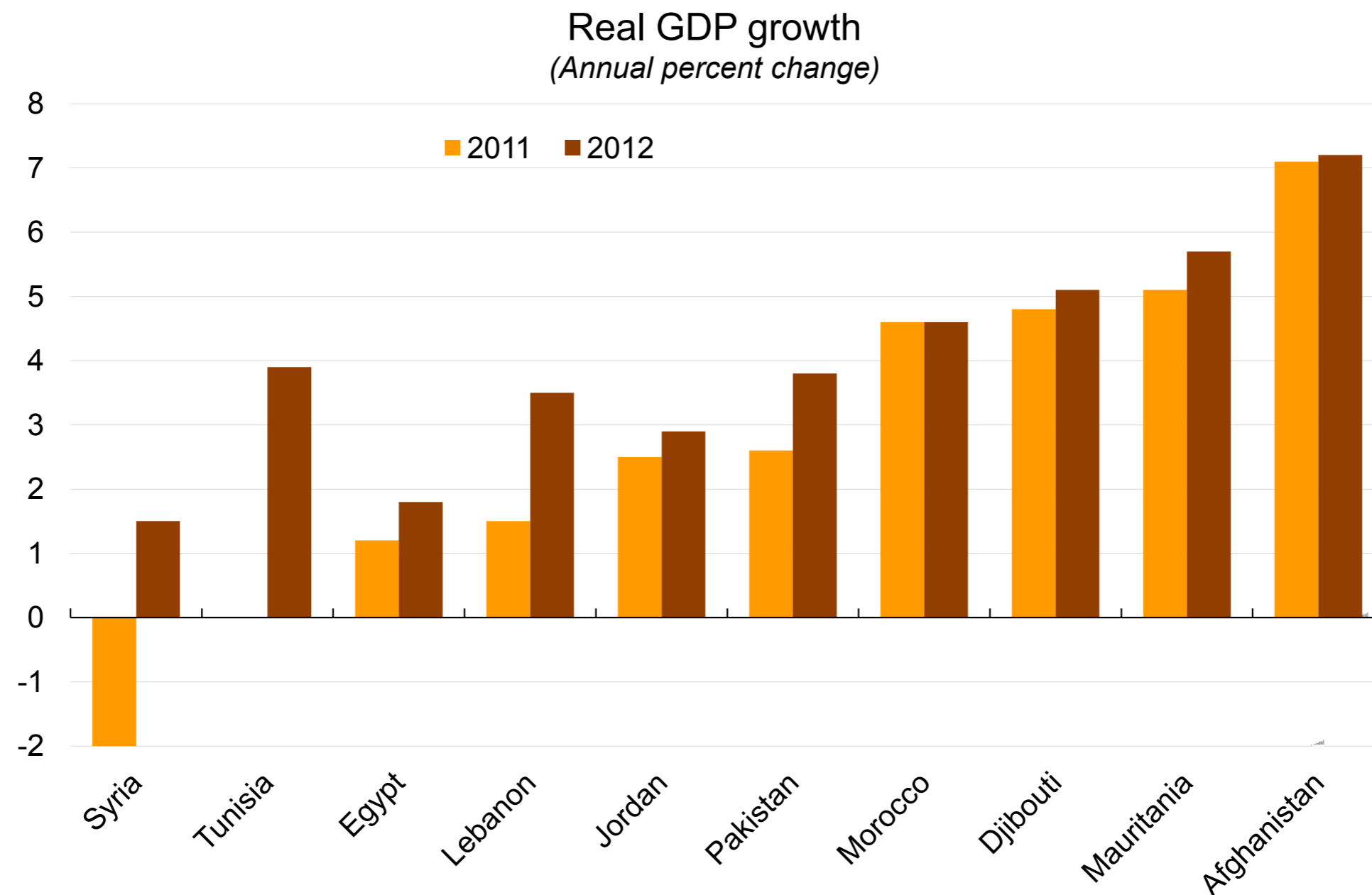


MENAP oil importers

Challenges ahead

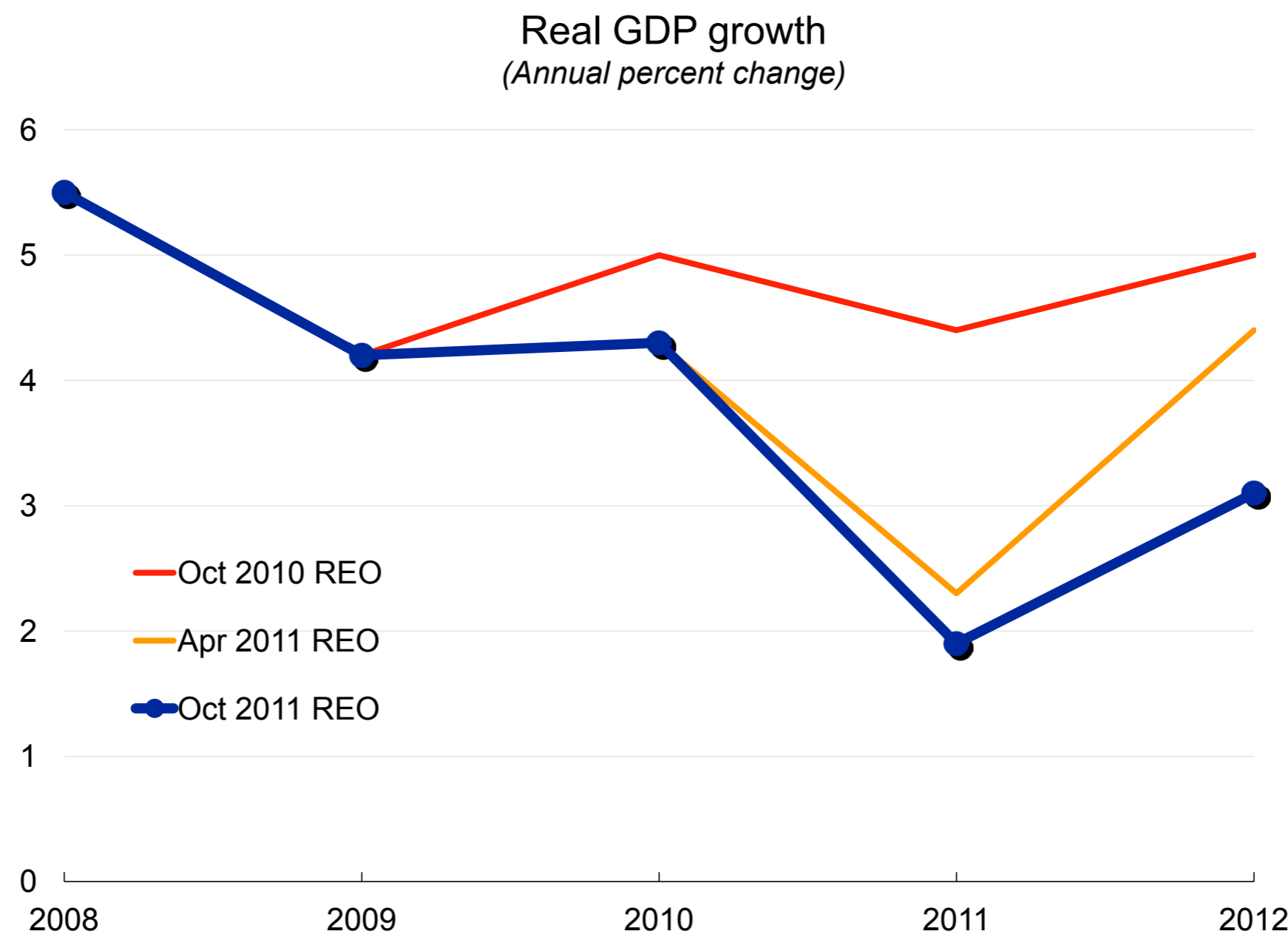


Uncertainty weighing on activity



Sources: National authorities; and IMF staff calculations.

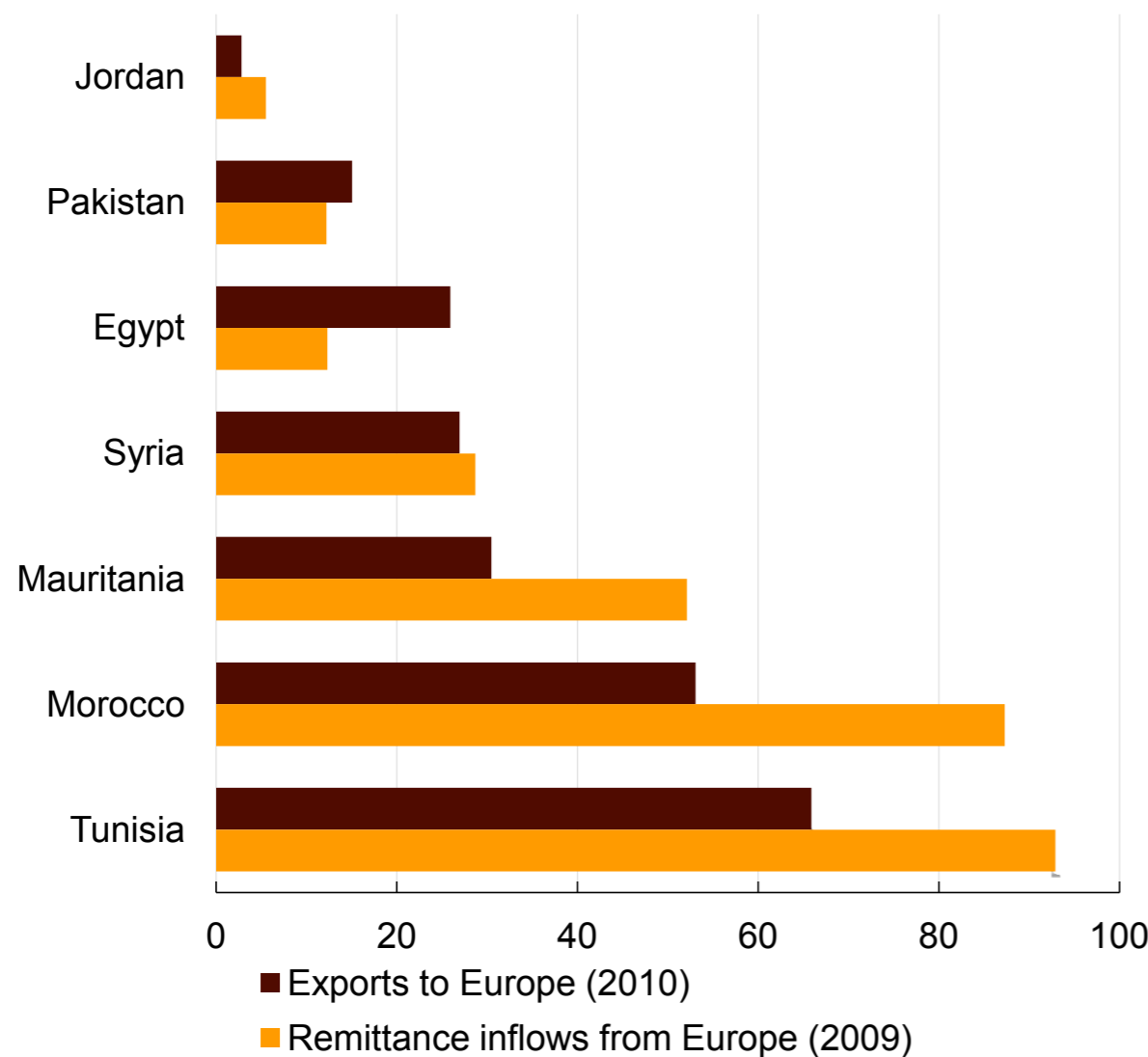
Growth forecasts have been revised downward



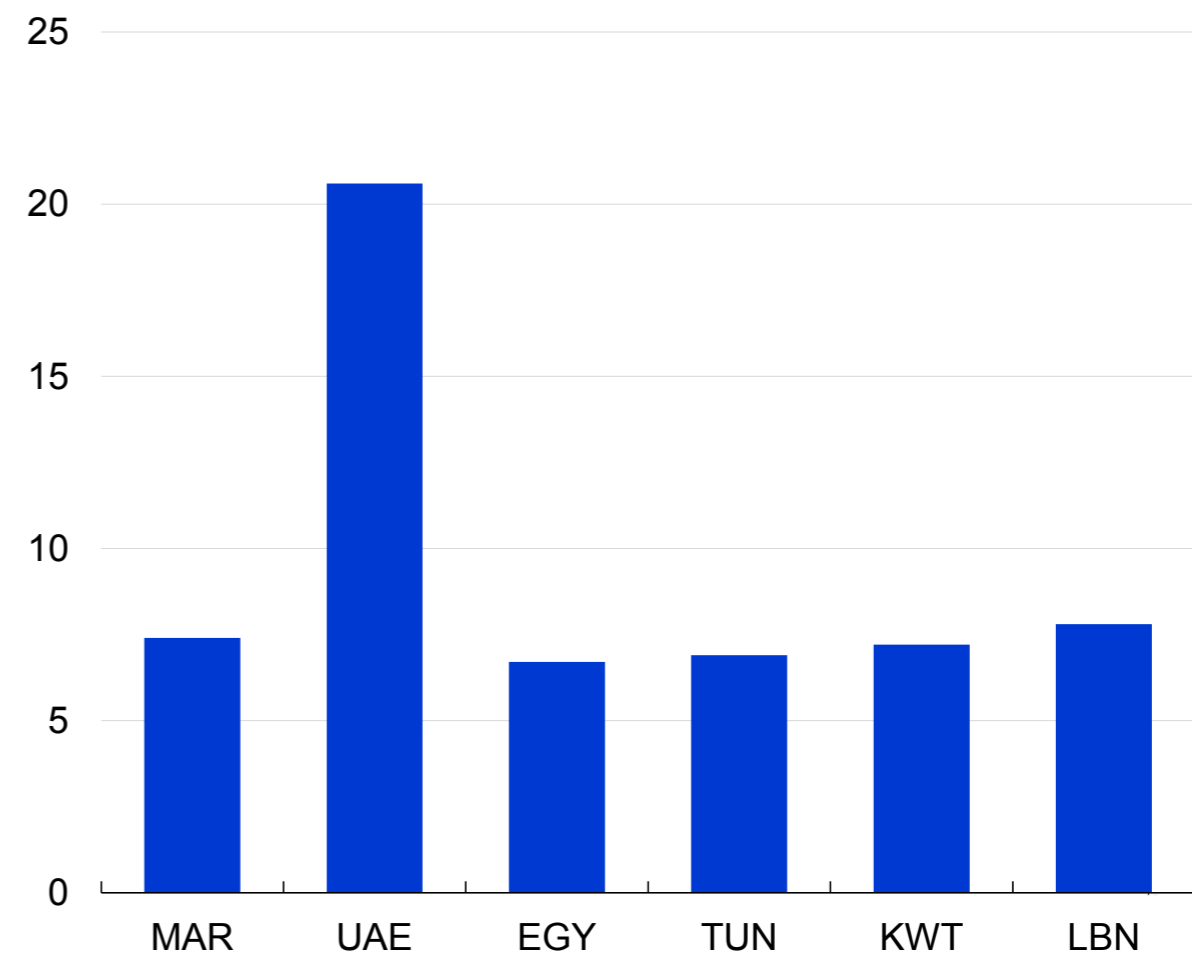
Sources: National authorities; and IMF staff calculations.

MENA links with Europe: downside risks

Trade and remittances linkages with Europe
(Percent of total)

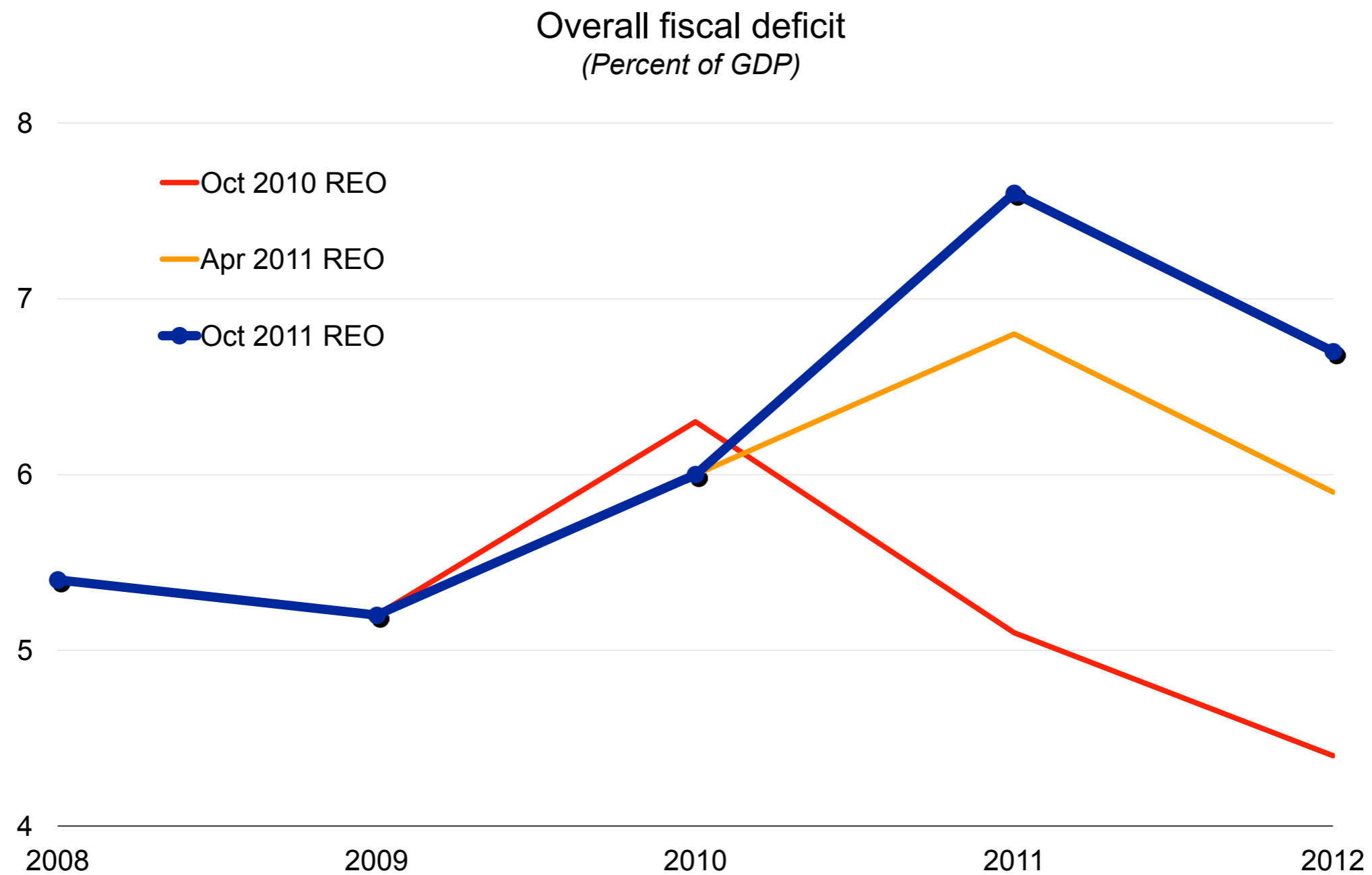


Cross-border lending by European banks
(Percent of GDP, March 2011)



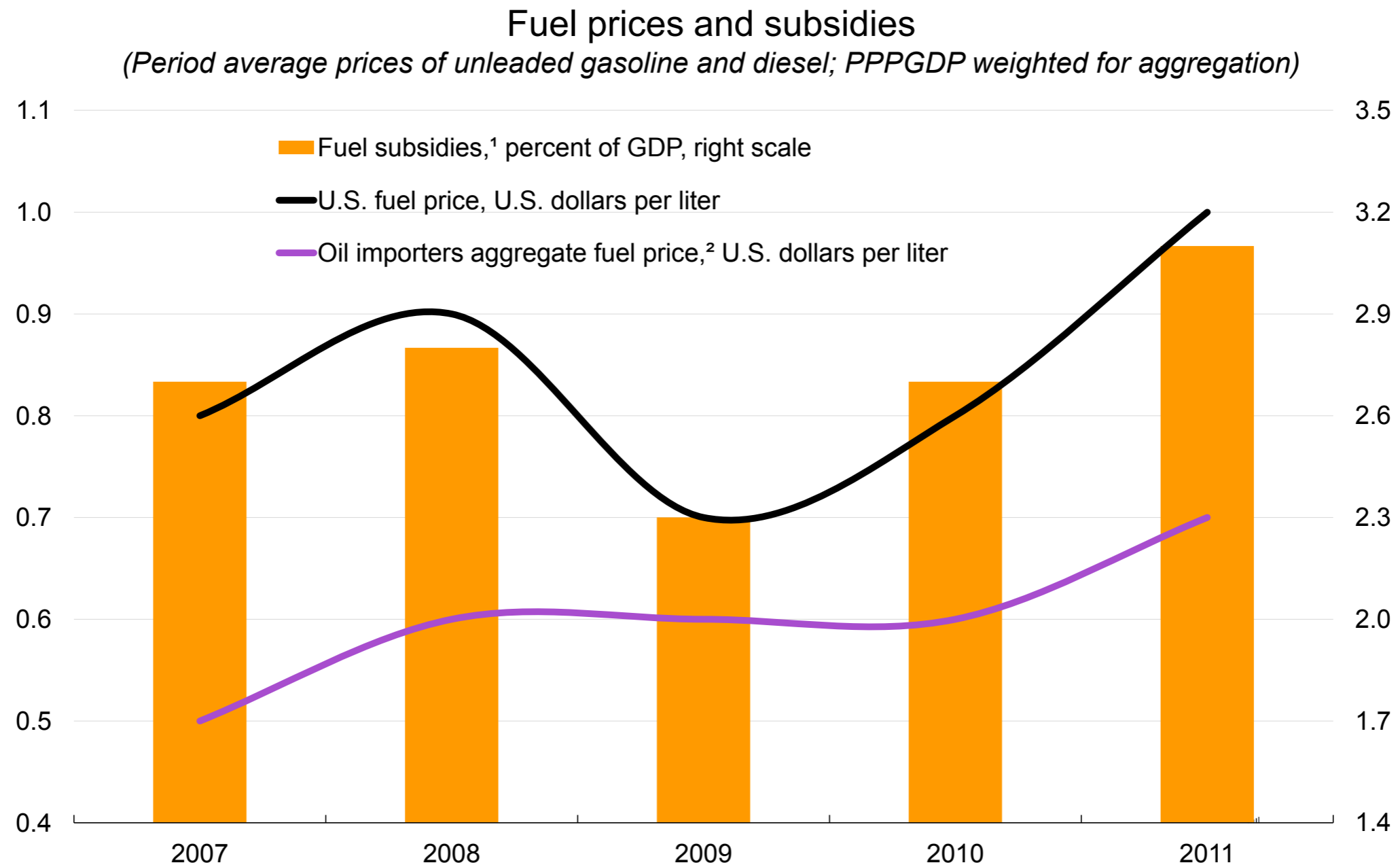
Sources: Bank for International Settlements; Bloomberg; and Markit.

The 2012 fiscal outlook has worsened



Sources: National authorities; and IMF staff calculations.

Fuel price pass-through decreased, subsidies increased...



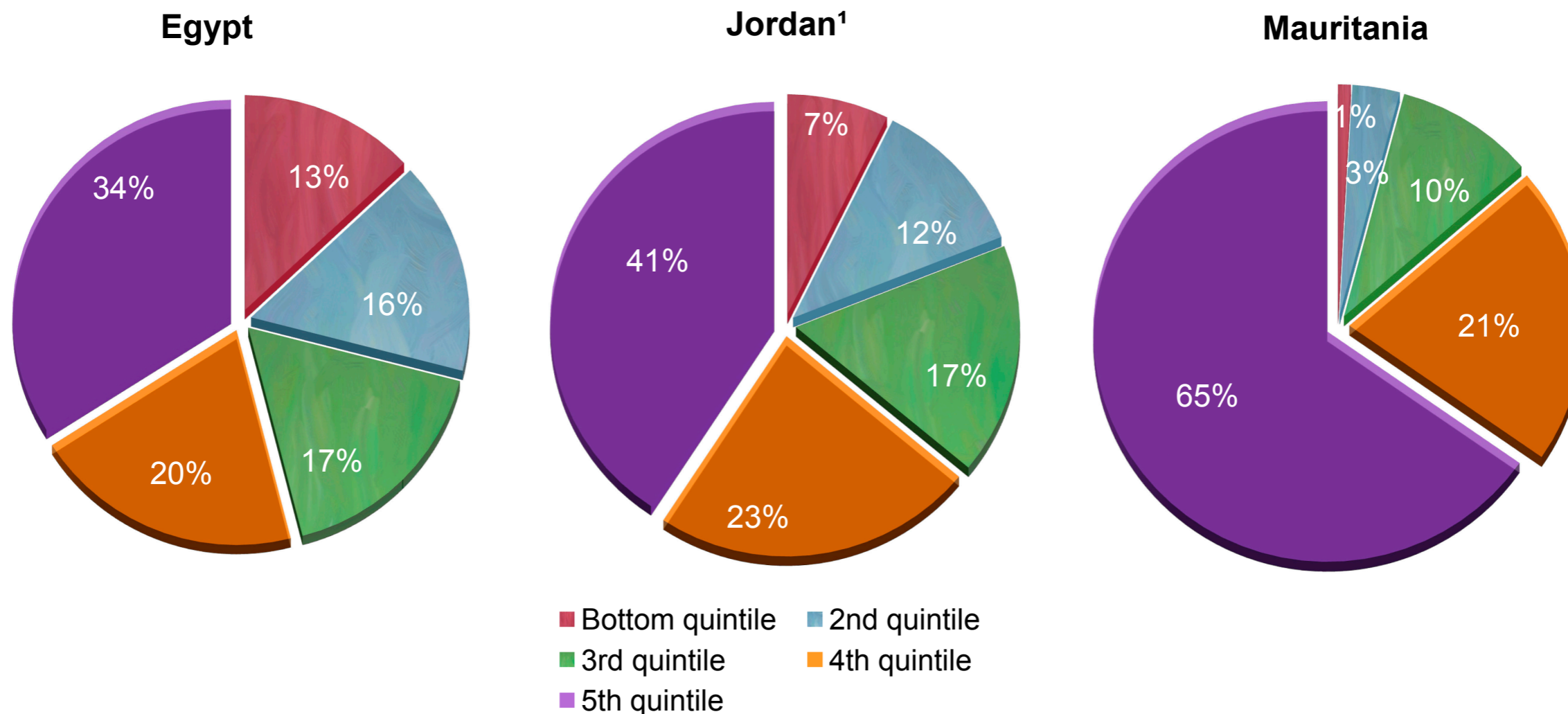
Sources: National authorities; and IMF staff calculations.

¹Includes Egypt, Jordan, Lebanon, Mauritania, Morocco, and Tunisia.

²Includes Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, and Syria.

...and mostly benefit the wealthy

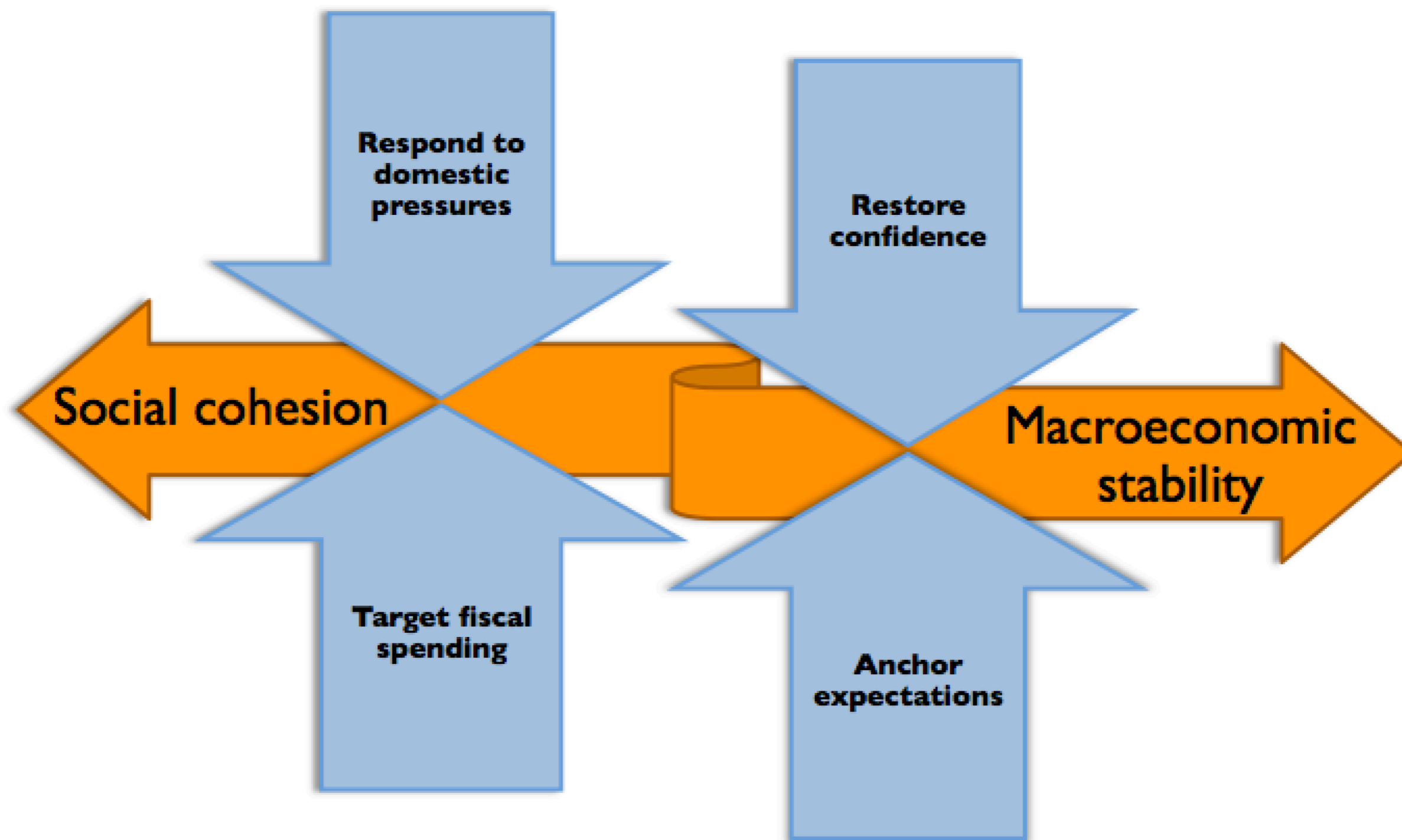
Share of benefits from energy subsidies
(Percent of total)



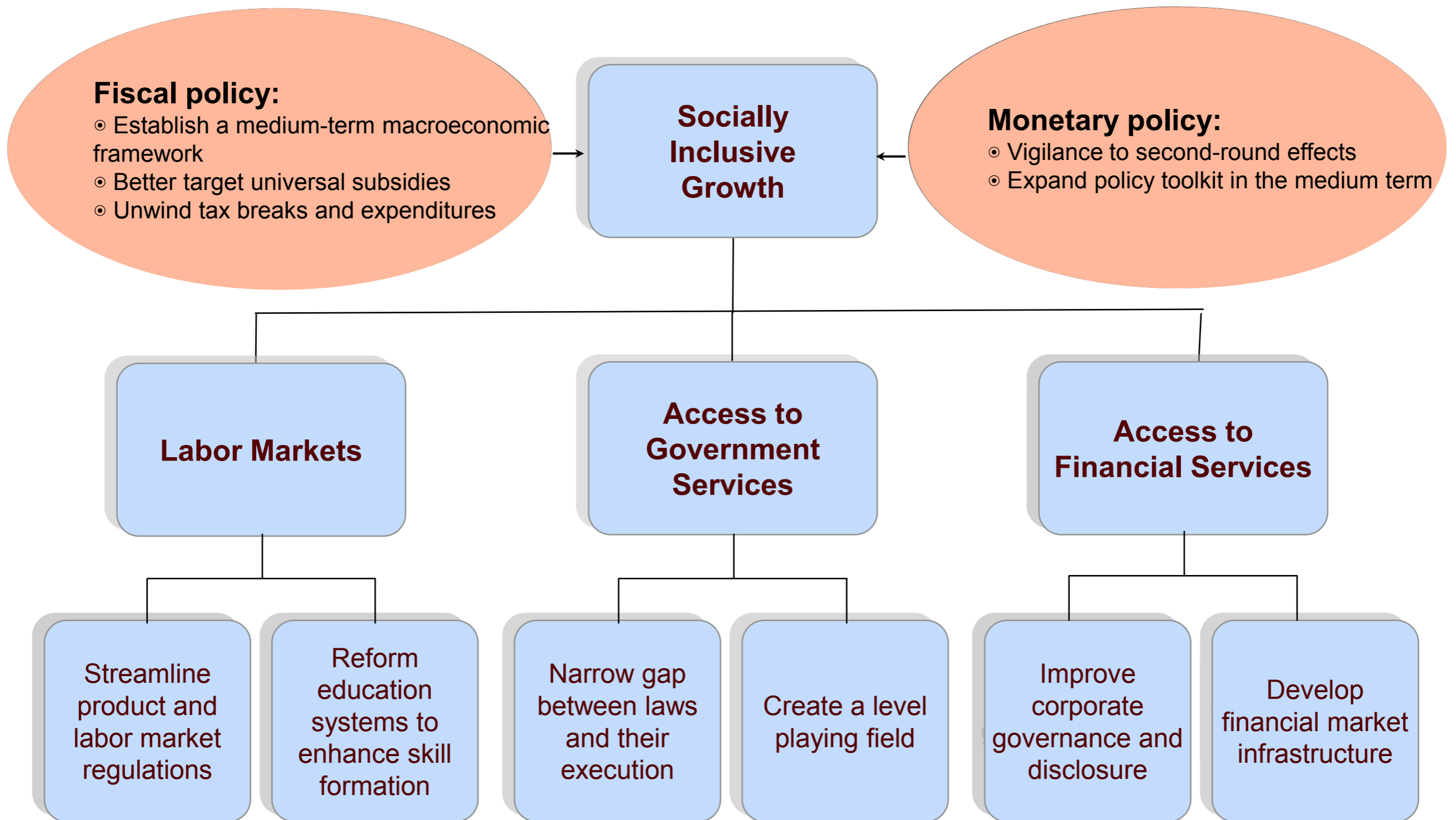
Sources: National authorities; IMF staff calculations based on information in the 2008 household survey for Jordan and Mauritania, and World Bank PSIA (2005) for Egypt.

¹For Jordan, the distribution of gains accounts for both the direct and indirect effect of price subsidies. The latter refers to the impact of energy price subsidies on the price of other consumed goods and services that use energy in their production and distribution.

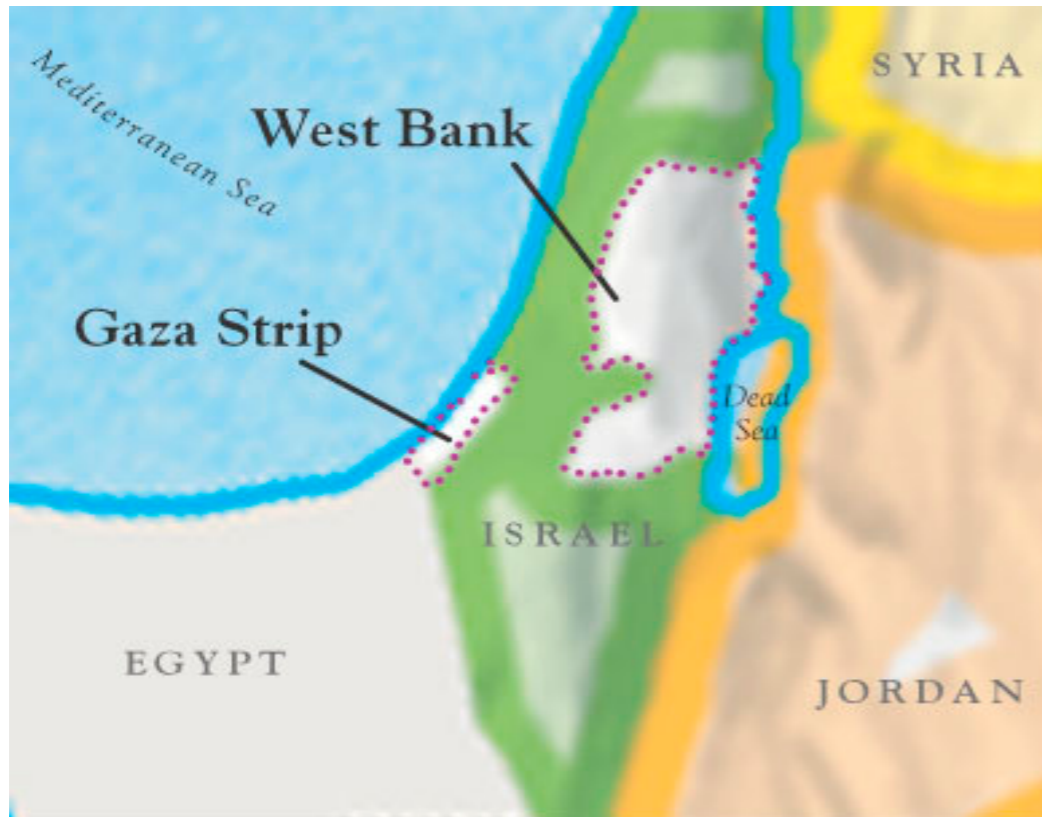
Short-term policy challenges



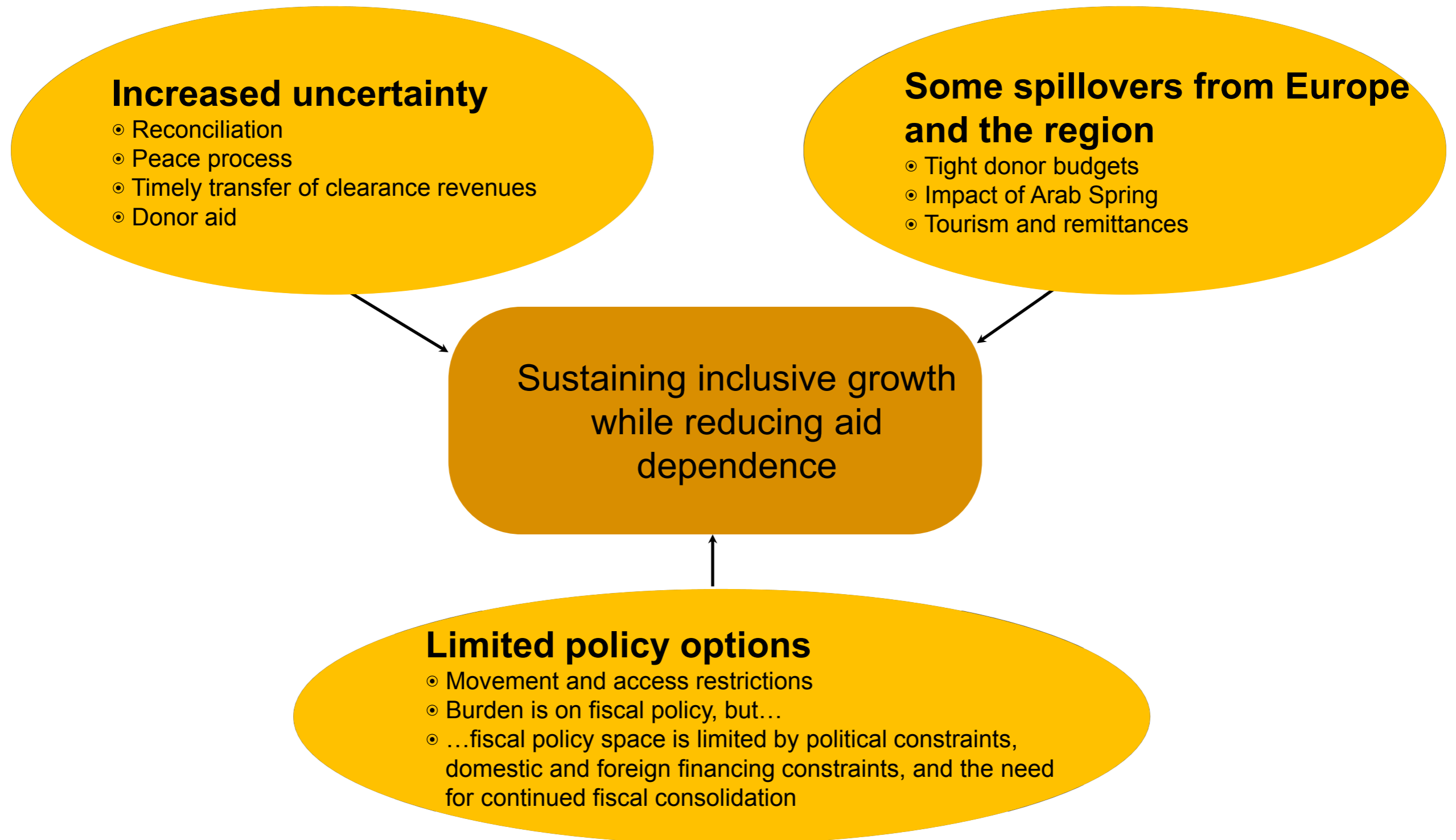
Opportunity to develop a medium-term policy agenda for shared prosperity



West Bank and Gaza



Challenges ahead for West Bank and Gaza



How WBG differs from regional economic trends

Relatively immune from regional and European shocks due to limited trade and finance links

Fiscal retrenchment instead of expansion; no consumption subsidies other than net lending

No signs of crowding out of private sector credit

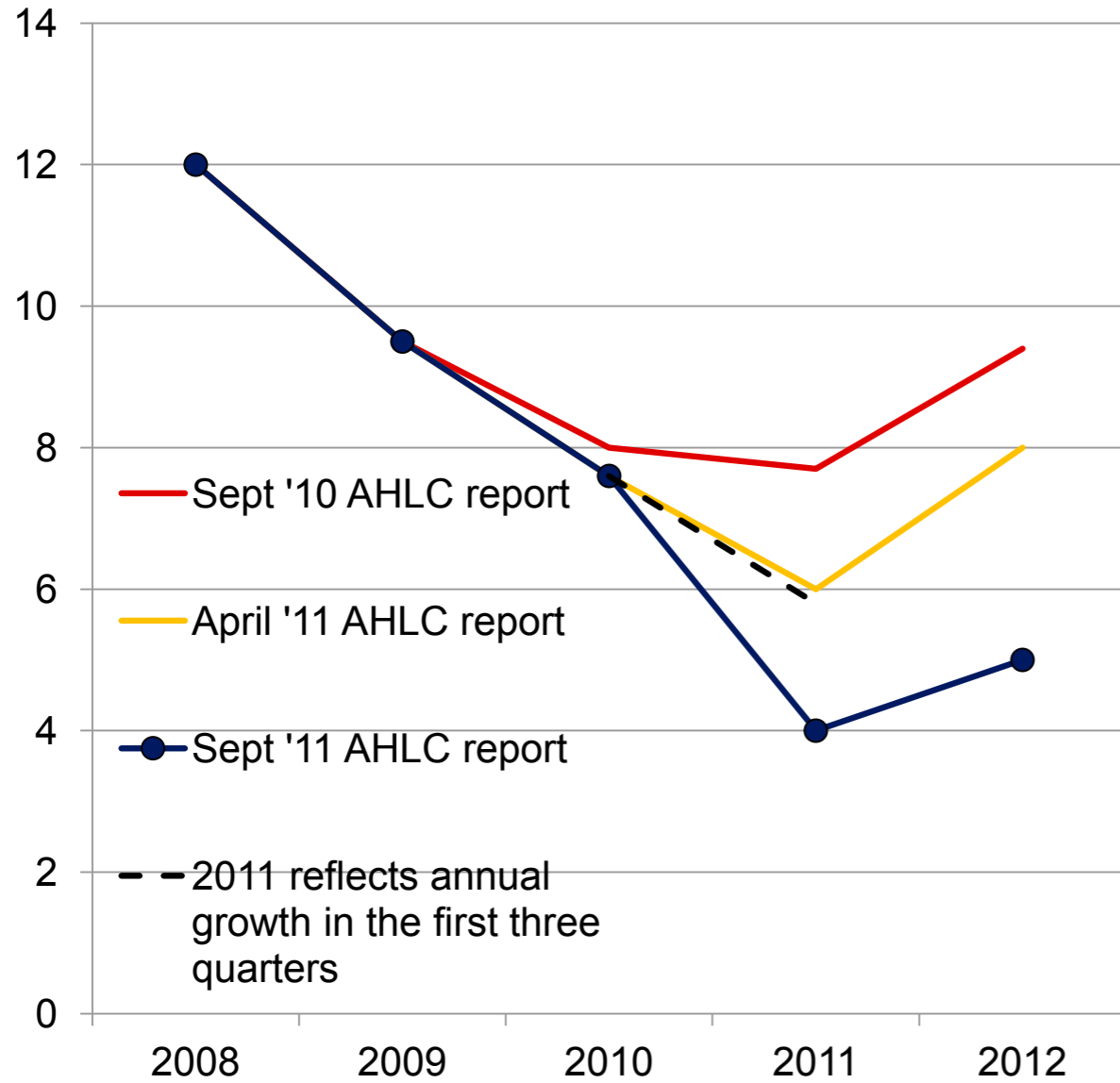
How WBG is similar to regional economic trends

Slowdown in growth...but
for different reasons

Need to make growth
more inclusive

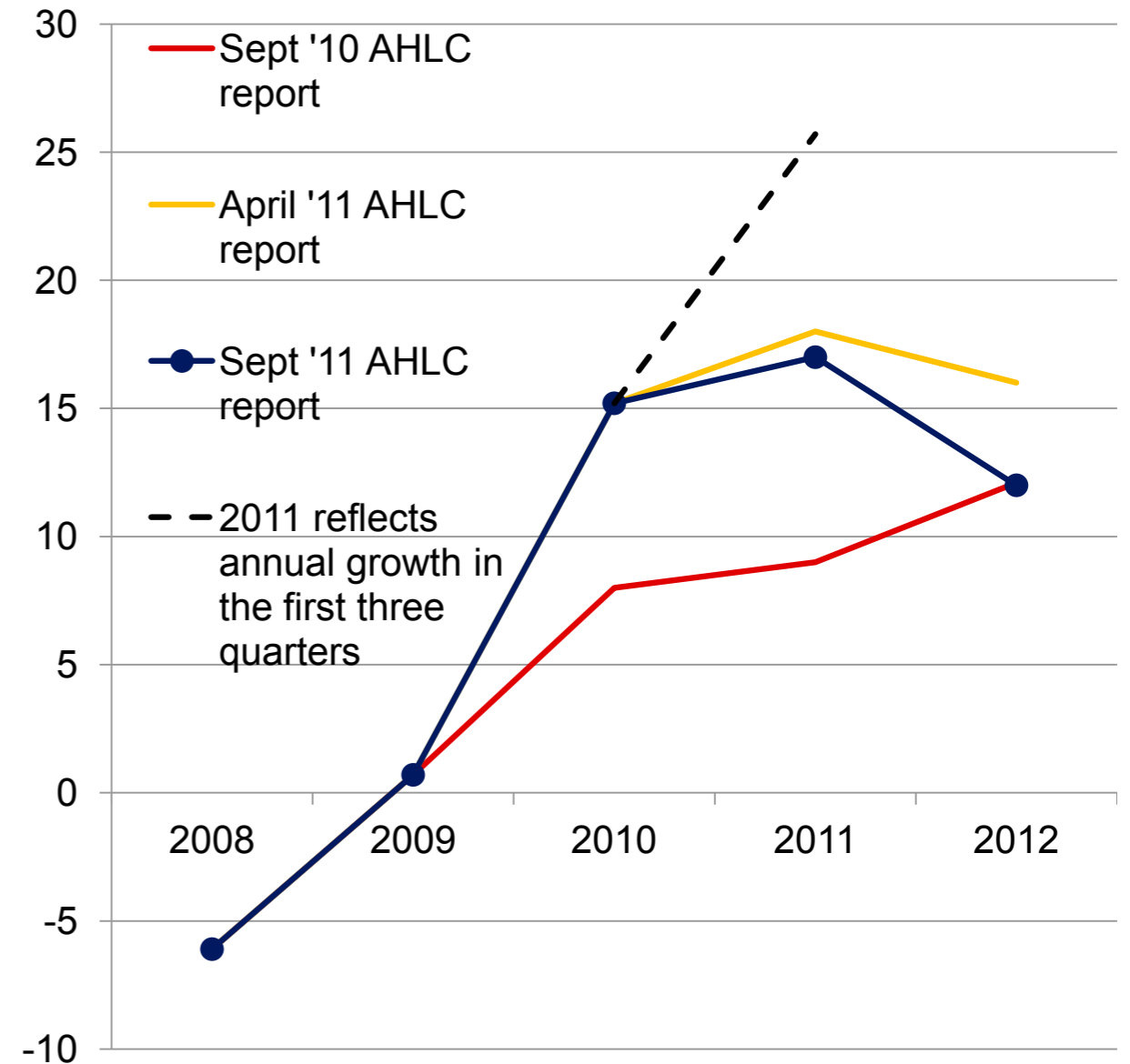
Real GDP growth is...

...slowing in the West Bank...

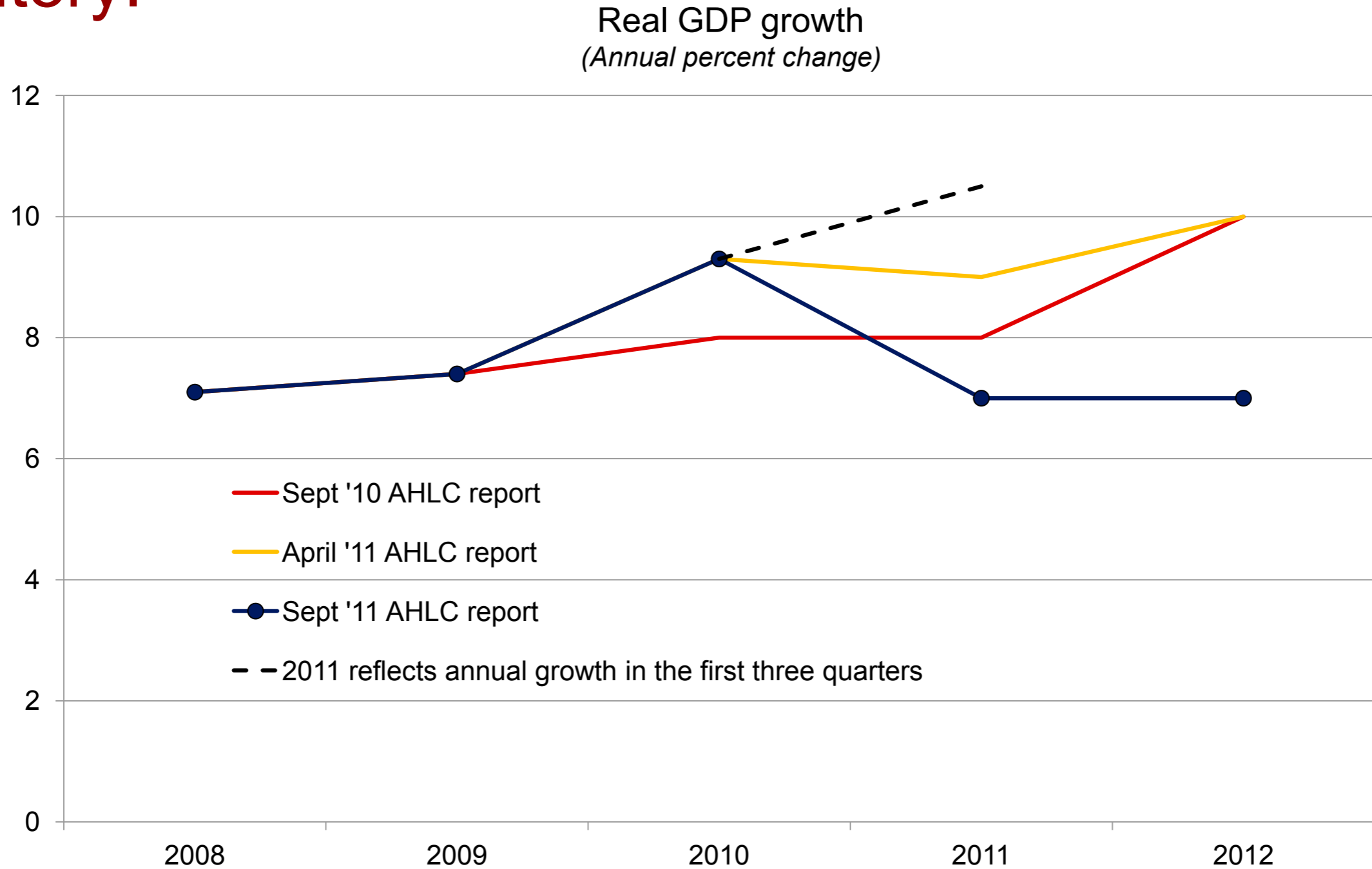


Sources: National authorities; and IMF staff calculations.

...but picking up in Gaza.

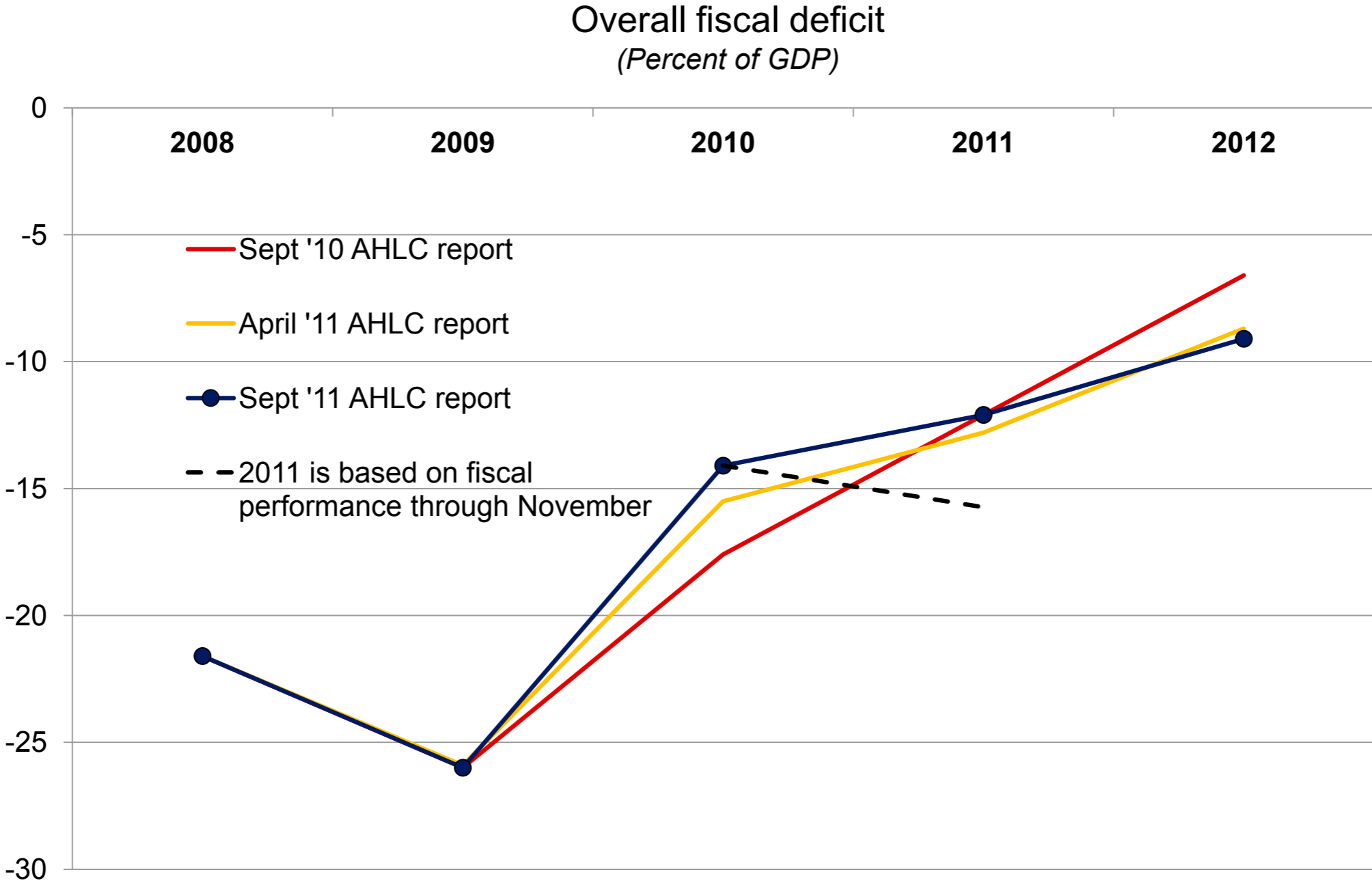


...and therefore fairly stable in the Palestinian Territory.



Sources: National authorities; and IMF staff calculations.

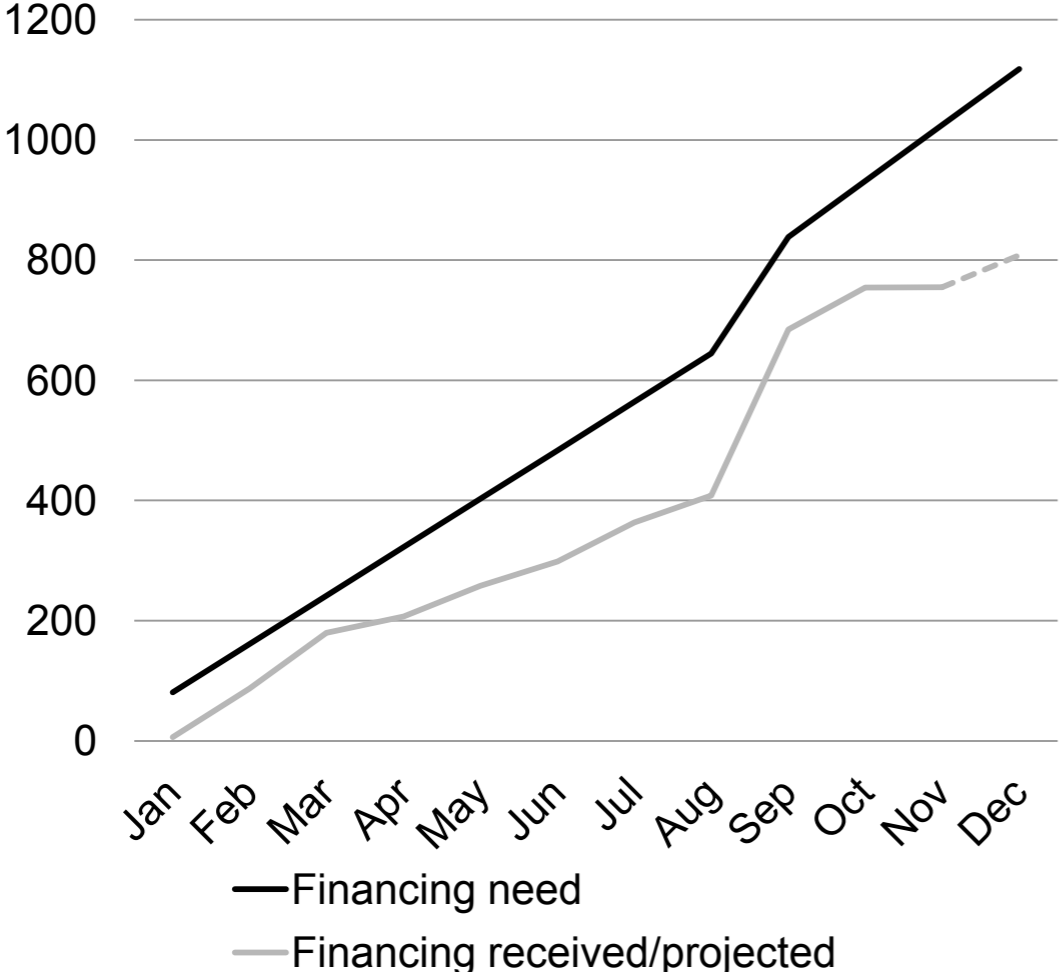
Fiscal consolidation is progressing



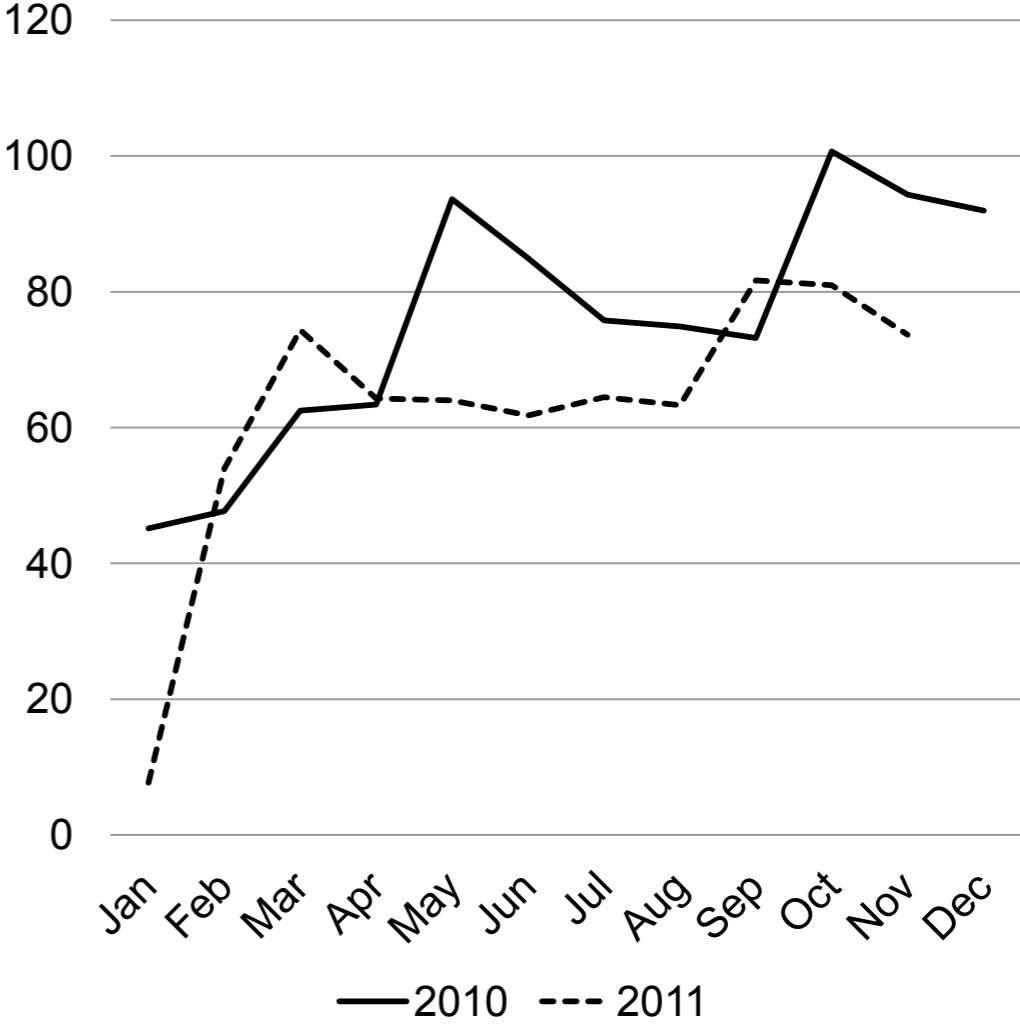
Sources: National authorities; and IMF staff calculations.

Shortfalls in donor aid continue

West Bank and Gaza: Cumulative Financing Need and Financing Received, 2011
(in millions of US dollars)



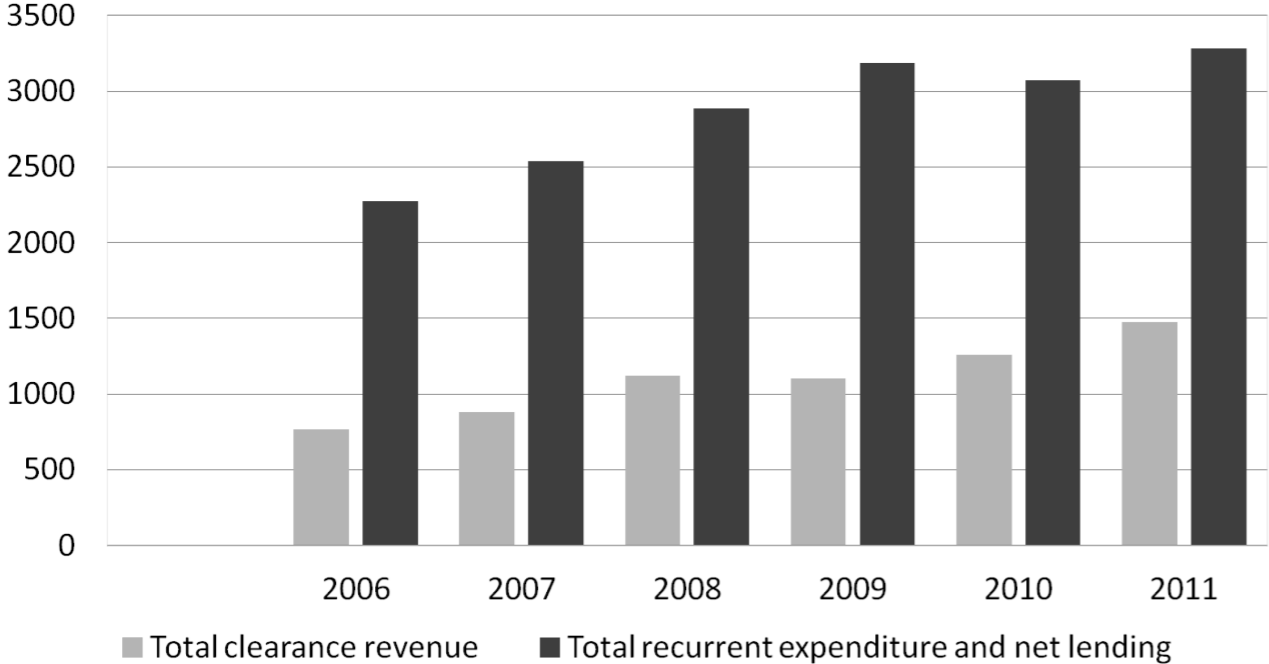
West Bank and Gaza: Cumulative Financing Received as Percentage of Financing Need, 2010 and 2011
(as of December 12 2011)



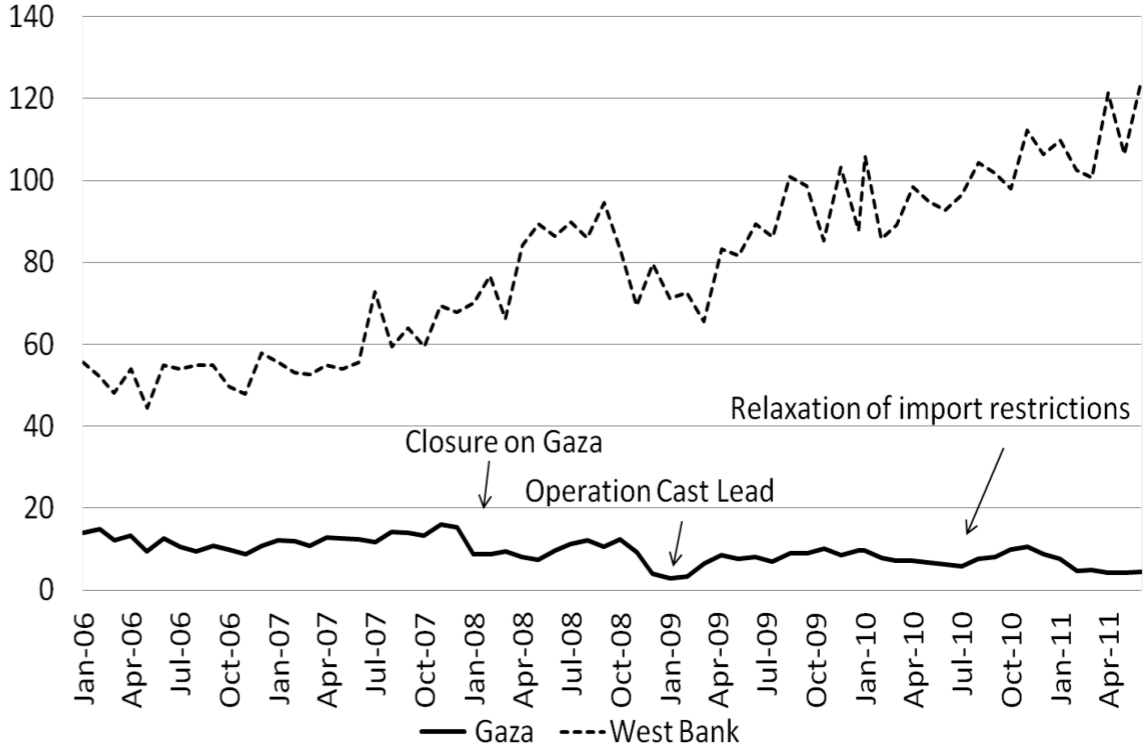
Sources: National authorities; and IMF staff calculations.

Clearance revenues are crucial

Total Clearance Revenue and total recurrent expenditures and net lending for West Bank and Gaza: 2006-2011
(In millions of U.S. dollars)



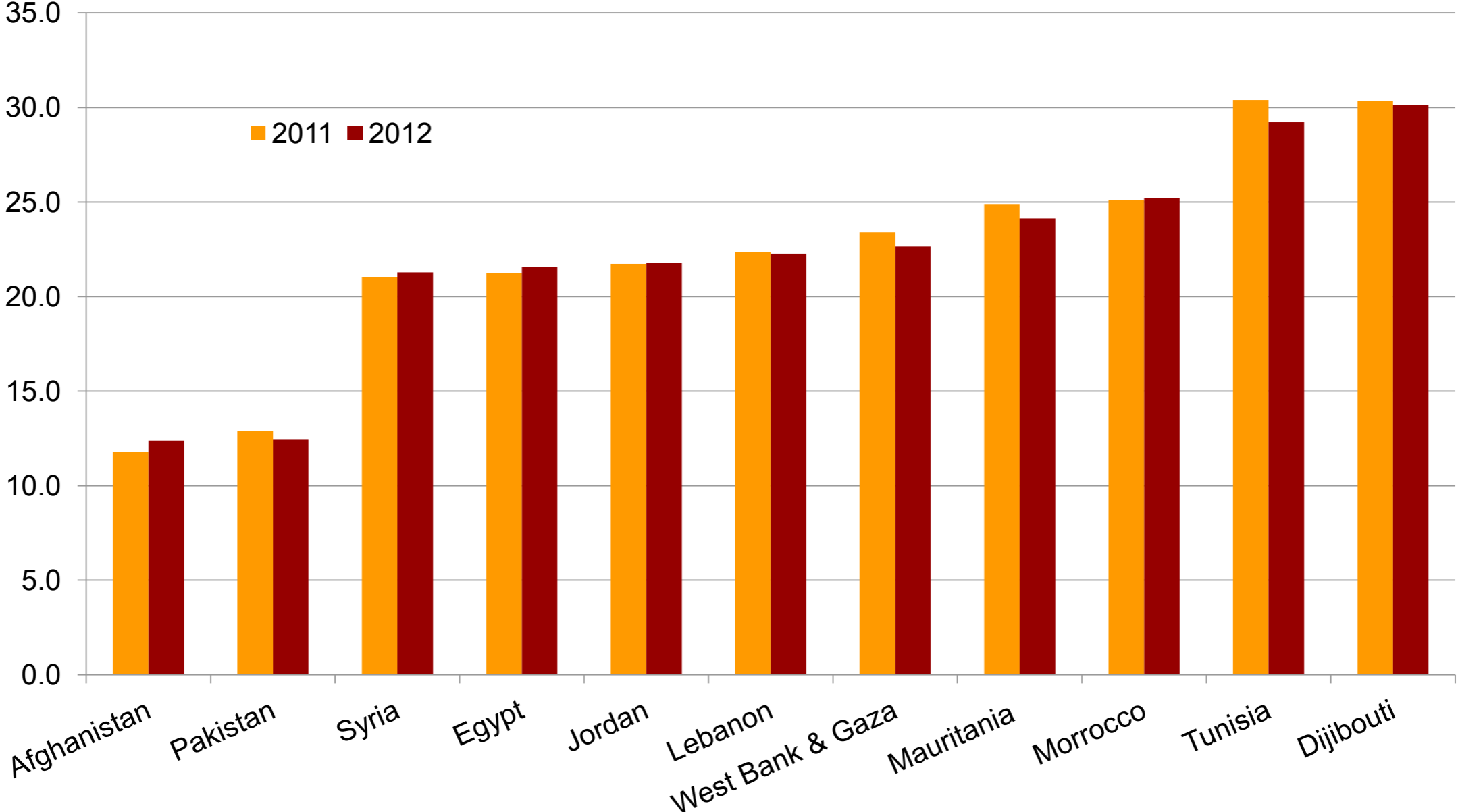
Total Clearance Revenue for West Bank and Gaza : January 2006 - June 2011
(In millions of U.S. dollars)



Sources: National authorities; and IMF staff calculations.

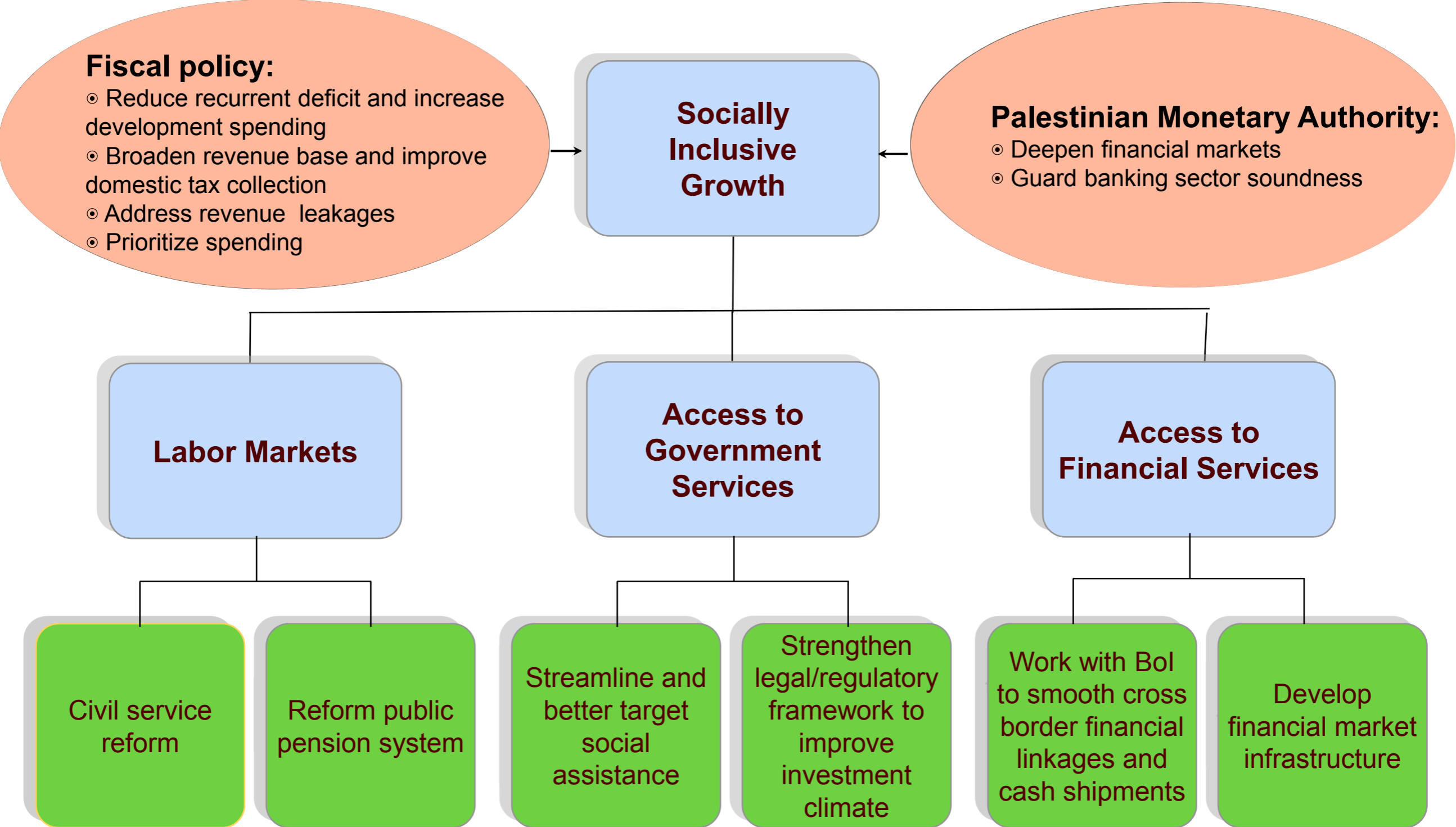
Revenue collection

Total Revenue
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.

Opportunity to develop a medium-term policy agenda for shared prosperity





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