

Competitiveness and Job Creation in MENA



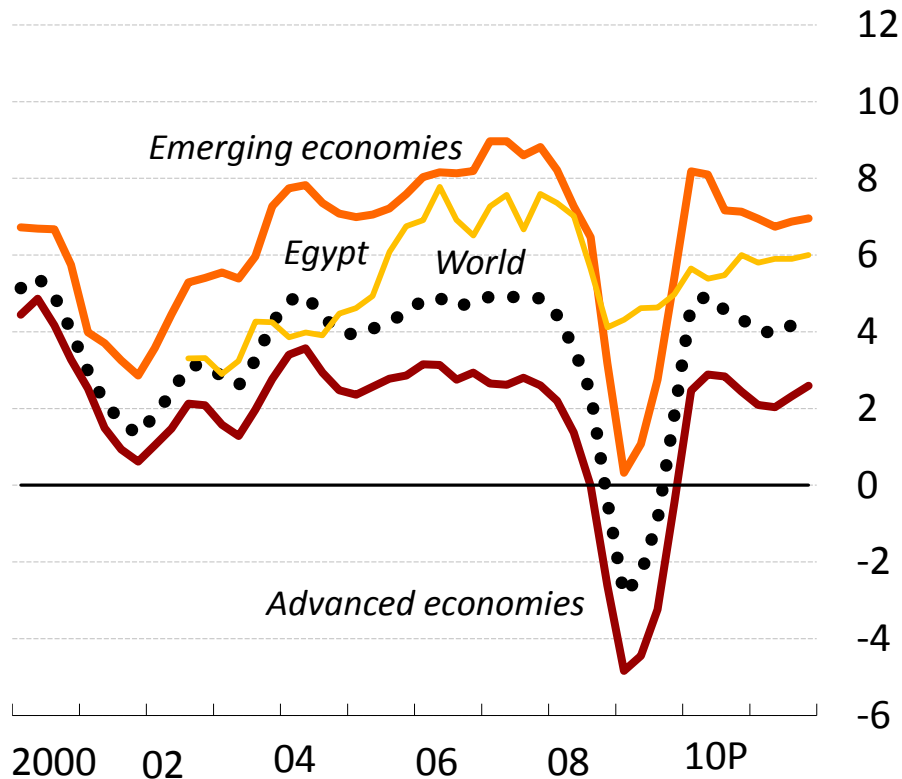
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January 23, 2011



Global outlook: Two-speed recovery in motion

Real GDP Growth
(percent change from a year earlier)



	2009	Projection	
		2010	2011
(Percent change, unless otherwise indicated)			
World	-0.6	4.8	4.2
Advanced economies	-3.2	2.7	2.2
Emerging economies	2.5	7.1	6.4
MENA	2.0	4.1	5.1
Egypt	4.7	5.1	5.8
Oil price (in US\$)	61.8	76.2	78.8

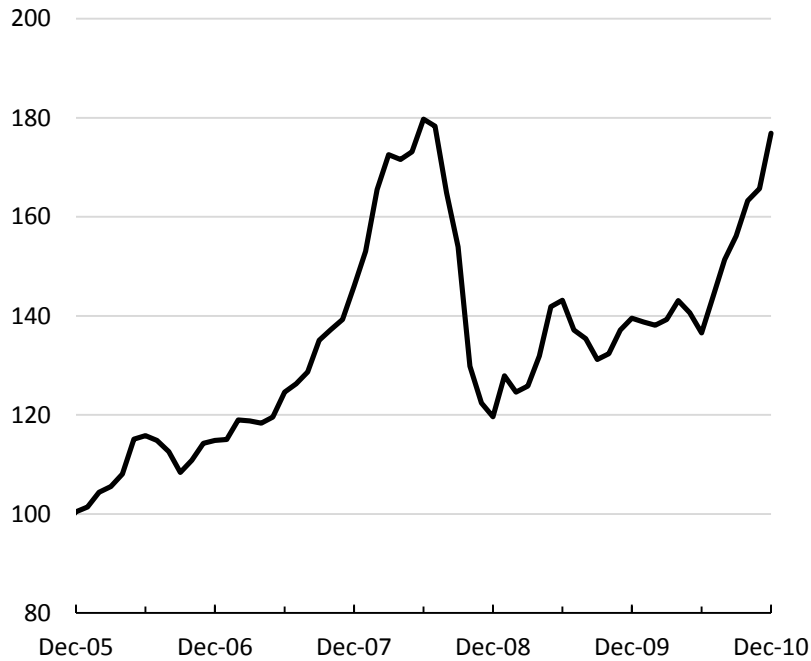
Note: Egypt number is financial year basis.

Sources: IMF, World Economic Outlook, Fall 2010.

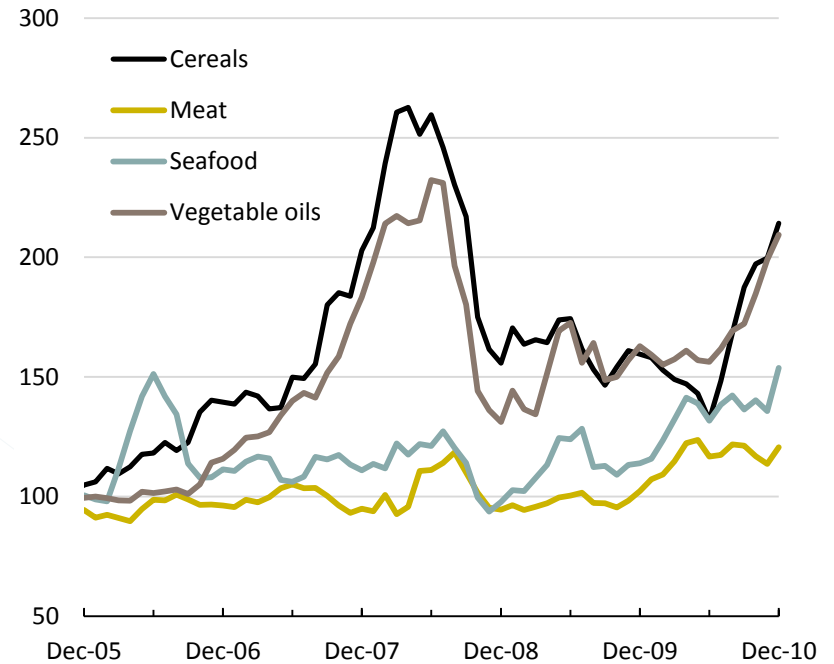


Global food prices are rising rapidly

IMF Food Price Index (2005-10)¹



IMF Food Price Index Groups (2005-10)¹



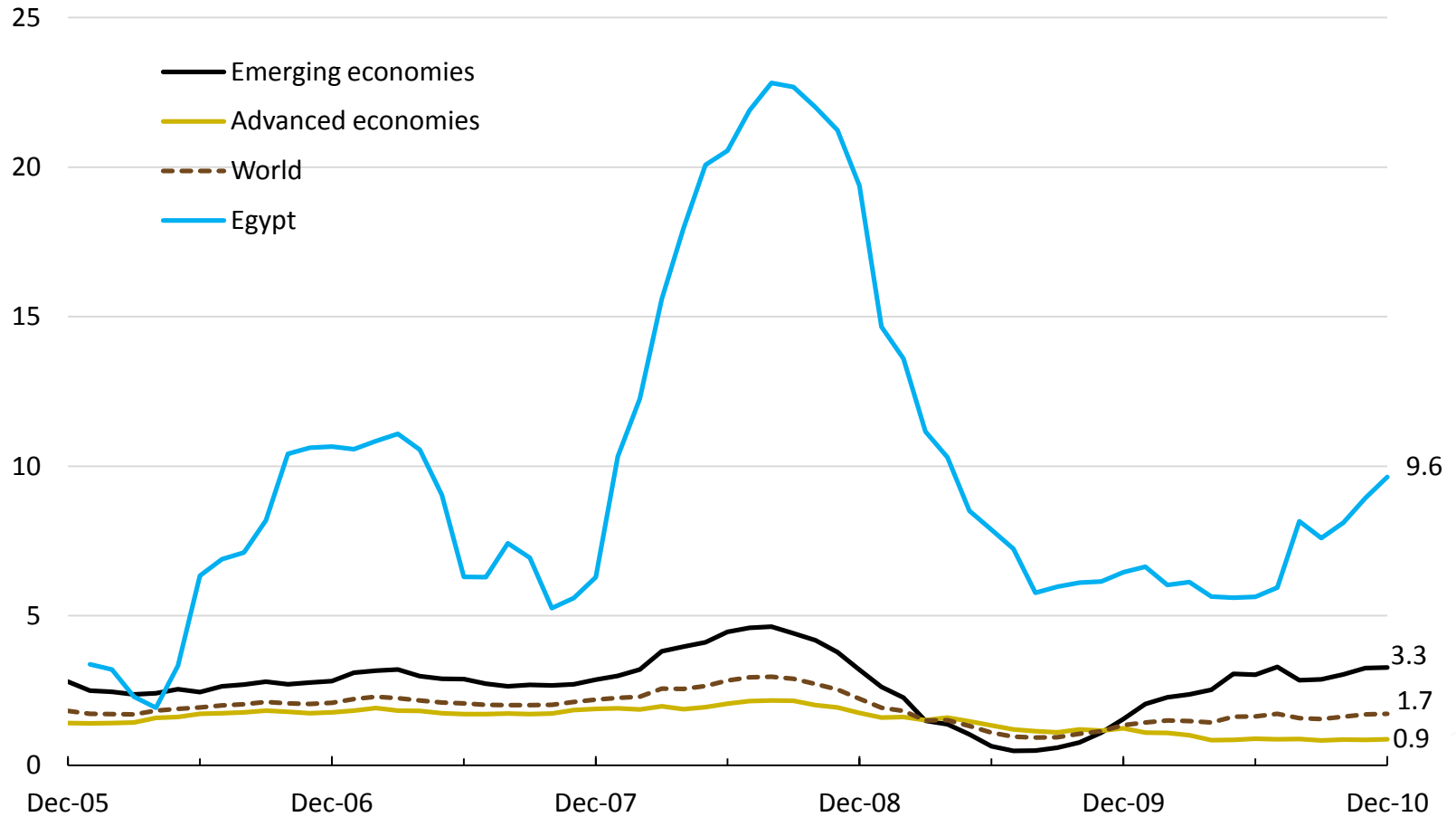
Source: IMF, Commodity Price System.

¹ U.S. dollar price index rebased at 2005=100

Inflation has picked up from low levels

Core Inflation

12-month growth, percent



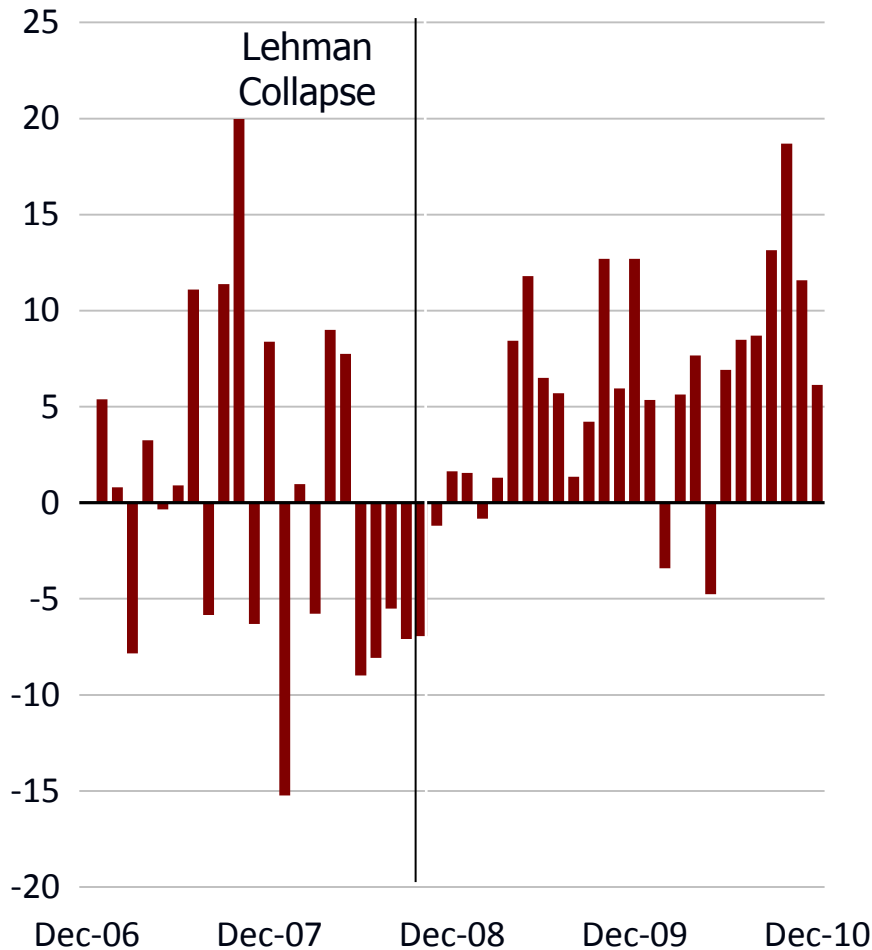
Sources: Haver Analytics; and IMF, World Economic Outlook.



Capital flows are recovering

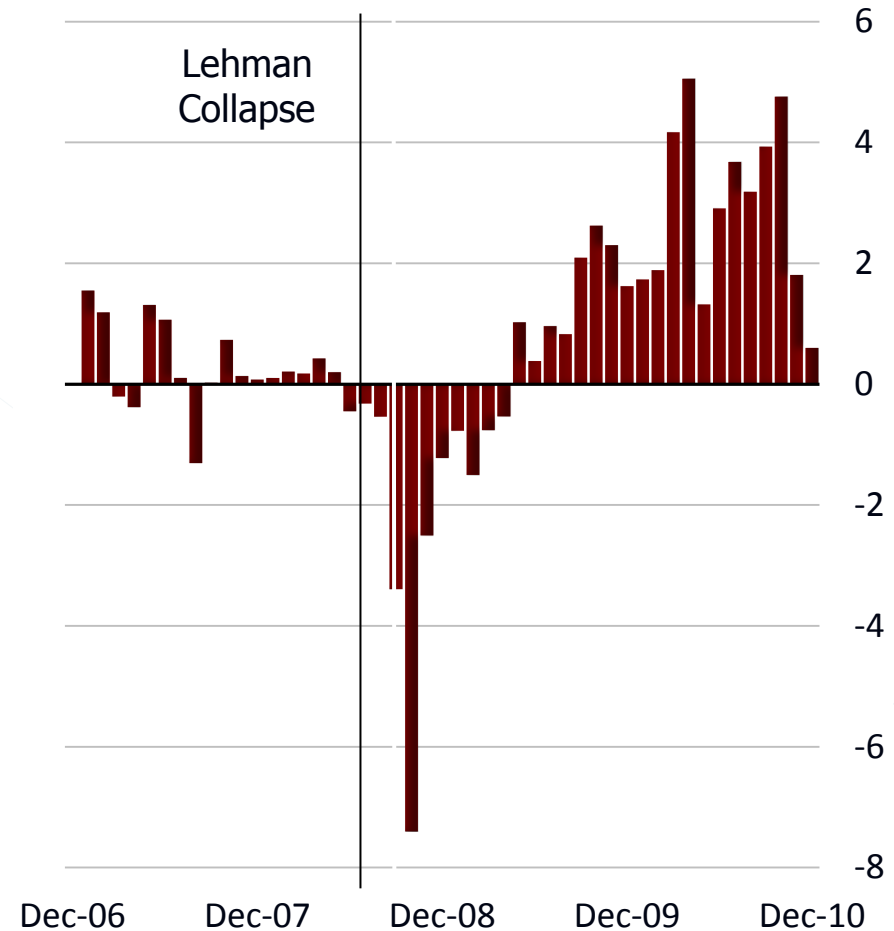
Net Monthly Flows to Emerging Market Equity Funds

(billions of U.S. dollars)



Net Monthly Flows to Emerging Market Bond Funds

(billions of U.S. dollars)

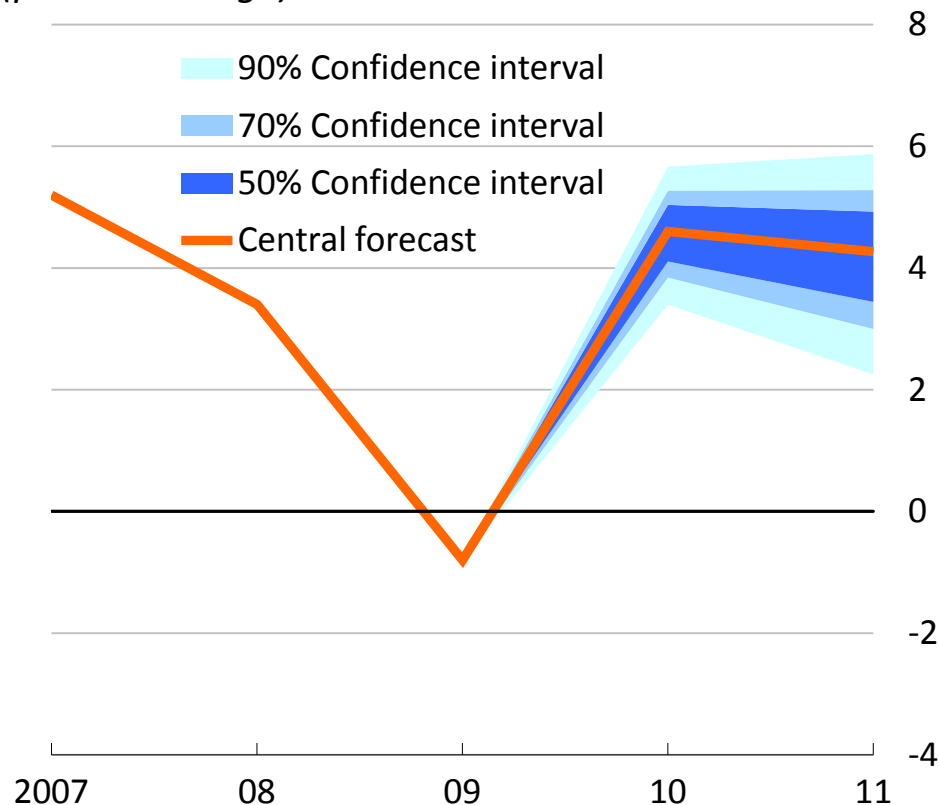


Sources: IMF, World Economic Outlook.



Risks to the global recovery tilted down

World GDP Growth
(percent change)



- Risks tilted to downside— but double-dip unlikely
- Advanced country banking systems still vulnerable
- Internal and external rebalancing needed

Sources: IMF, World Economic Outlook.

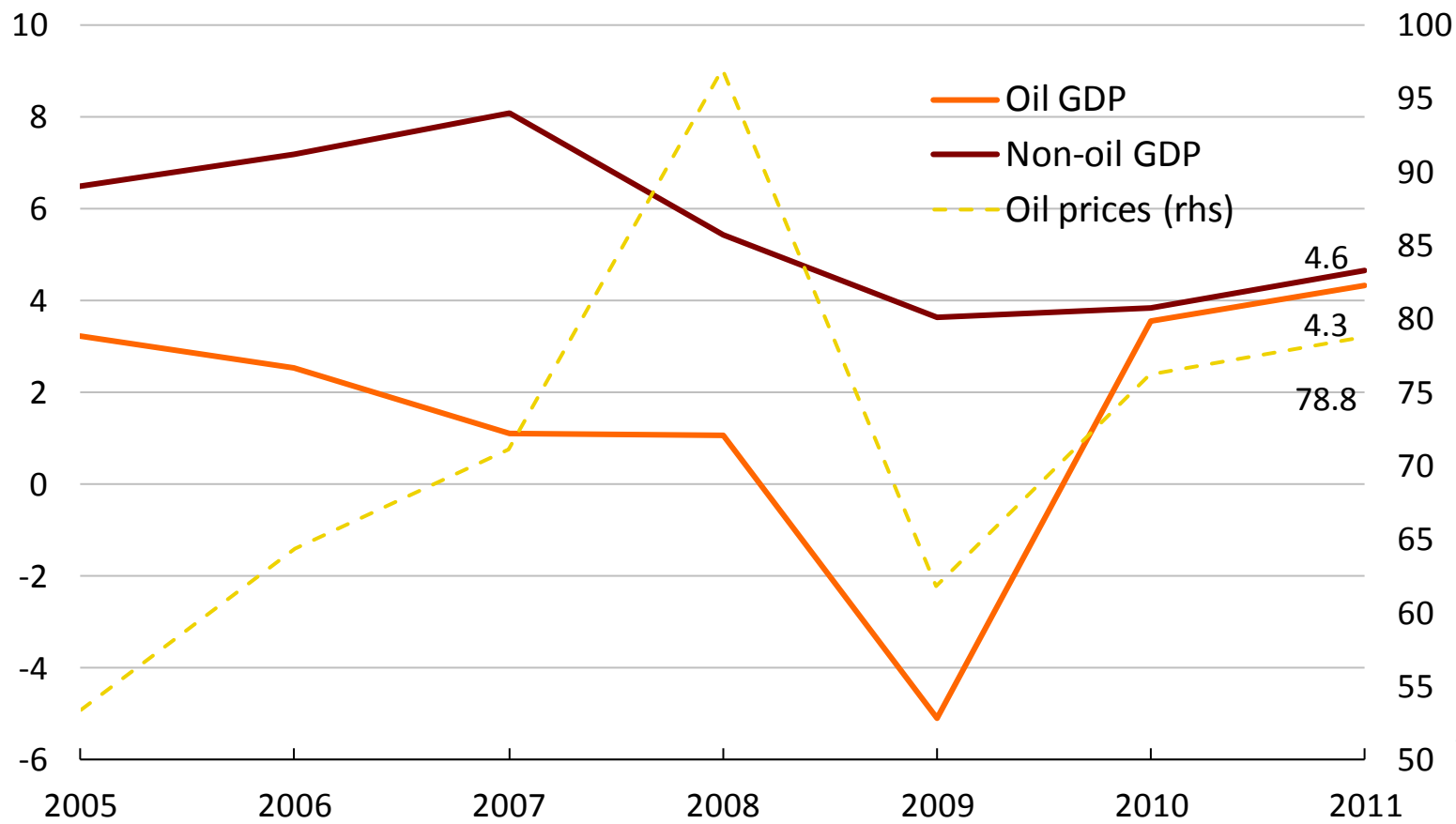


Oil Exporters



Global demand recovers, boosts activity in oil exporters

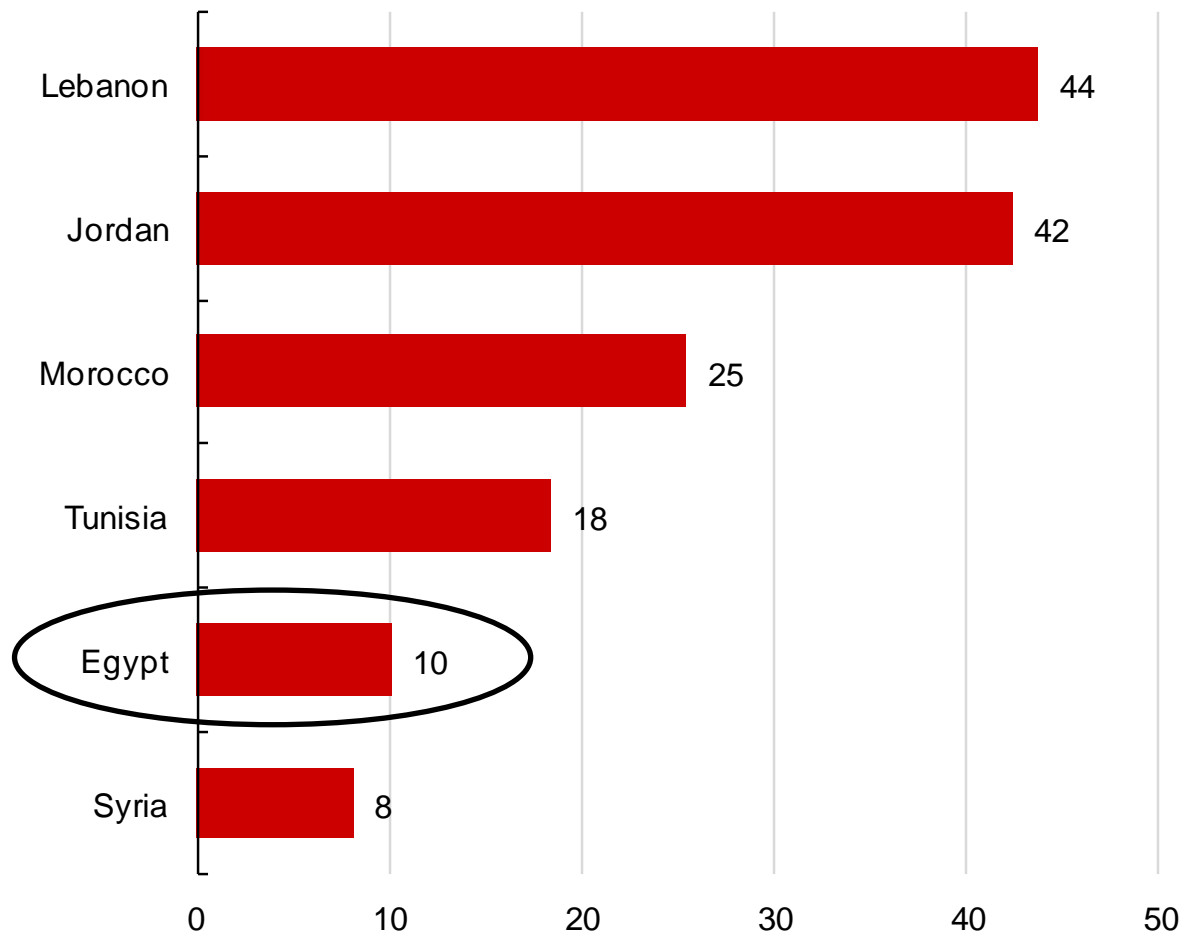
MENAP Oil Exporters Real Growth
(in percent)



Sources: National authorities; and IMF staff estimates.

Attracts large outward migration from oil importers

Stock of migrants; percent of labor force, 2005



Source: World Bank.

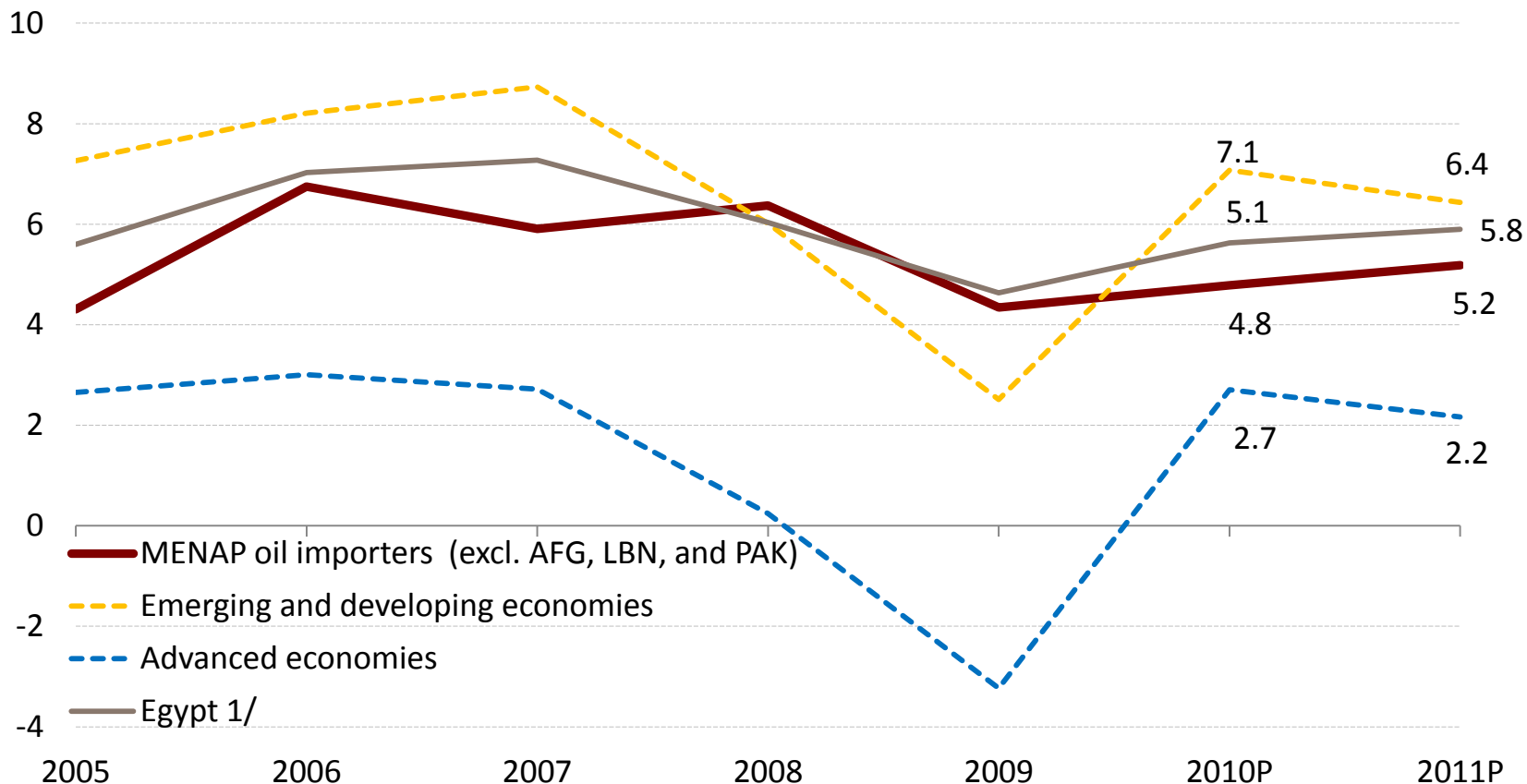


Oil Importers



Real GDP growth picking up across the region

(Annual percentage change)

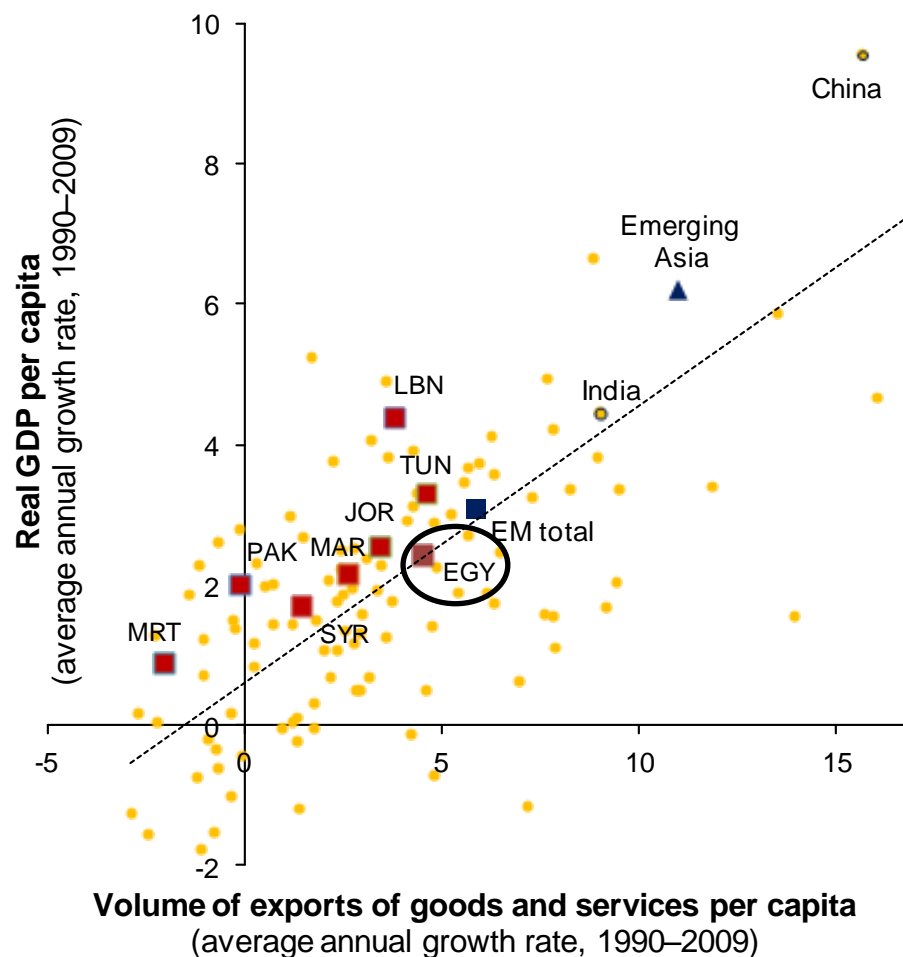
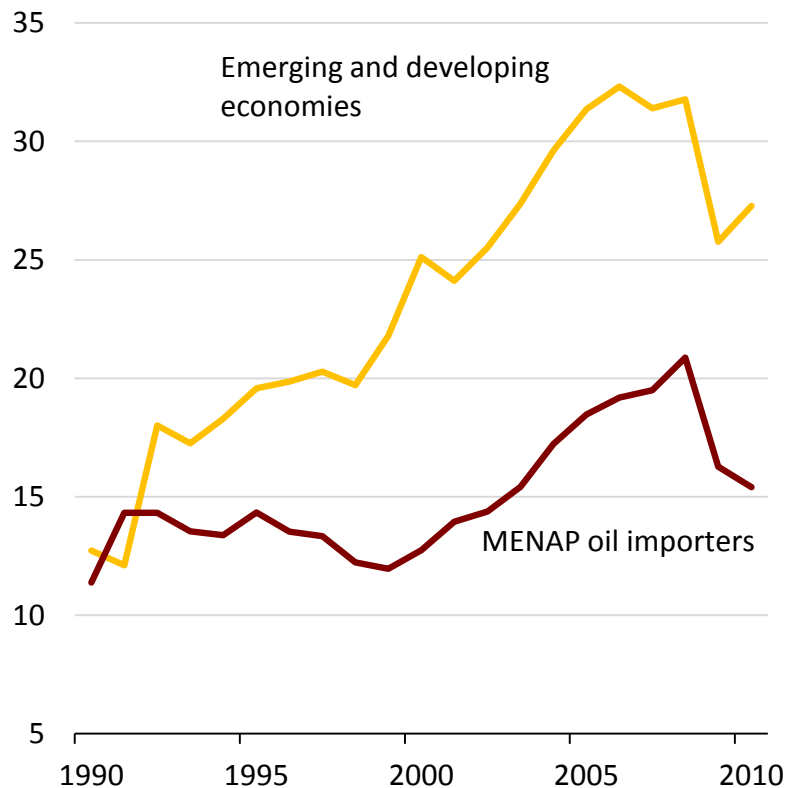


Source: National Authorities; and IMF staff estimates..

^{1/} Financial year basis.



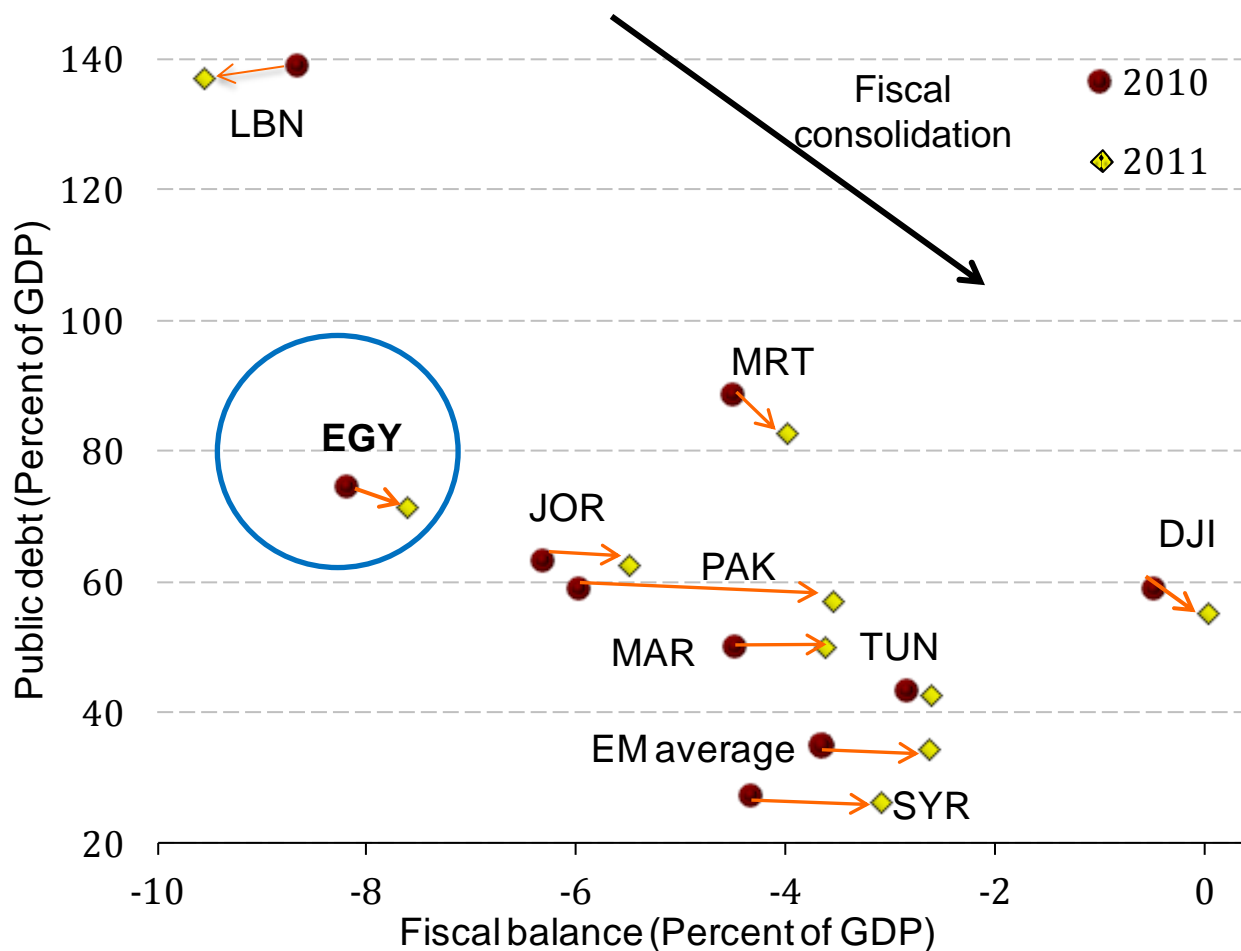
But growth and exports lag other regions



Source: IMF, World Economic Outlook.



Fiscal consolidation in train, but may come under stress

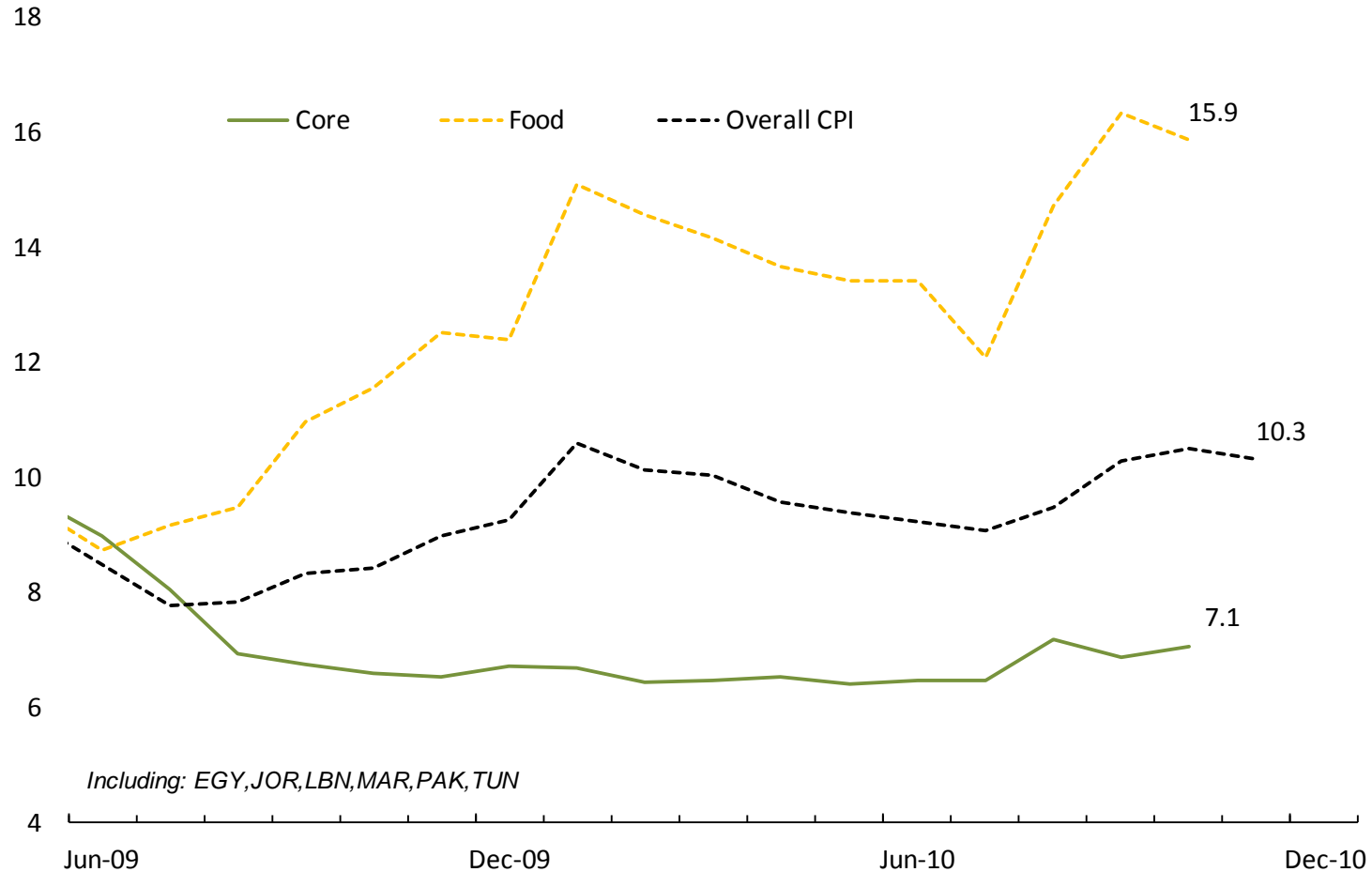


Source: National Authorities; and IMF staff estimates and projections.

Inflation is rising, reflecting sharp increase in food prices

Oil Importers: Consumer Prices

(annual percentage change)



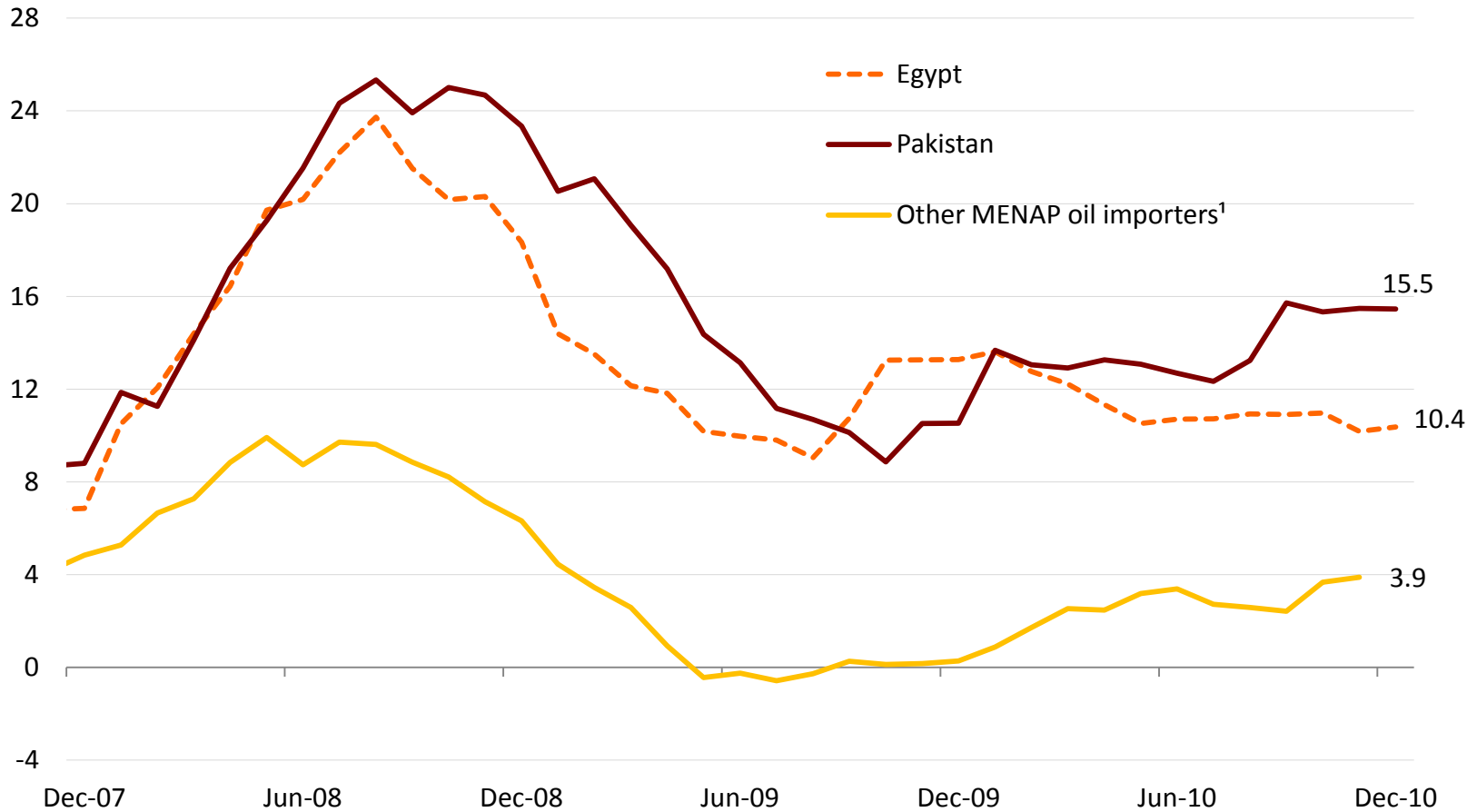
Source: Haver Analytics; and national authorities.



Monetary policy dilemma, as inflation picks up

Consumer Prices

(annual percentage change)

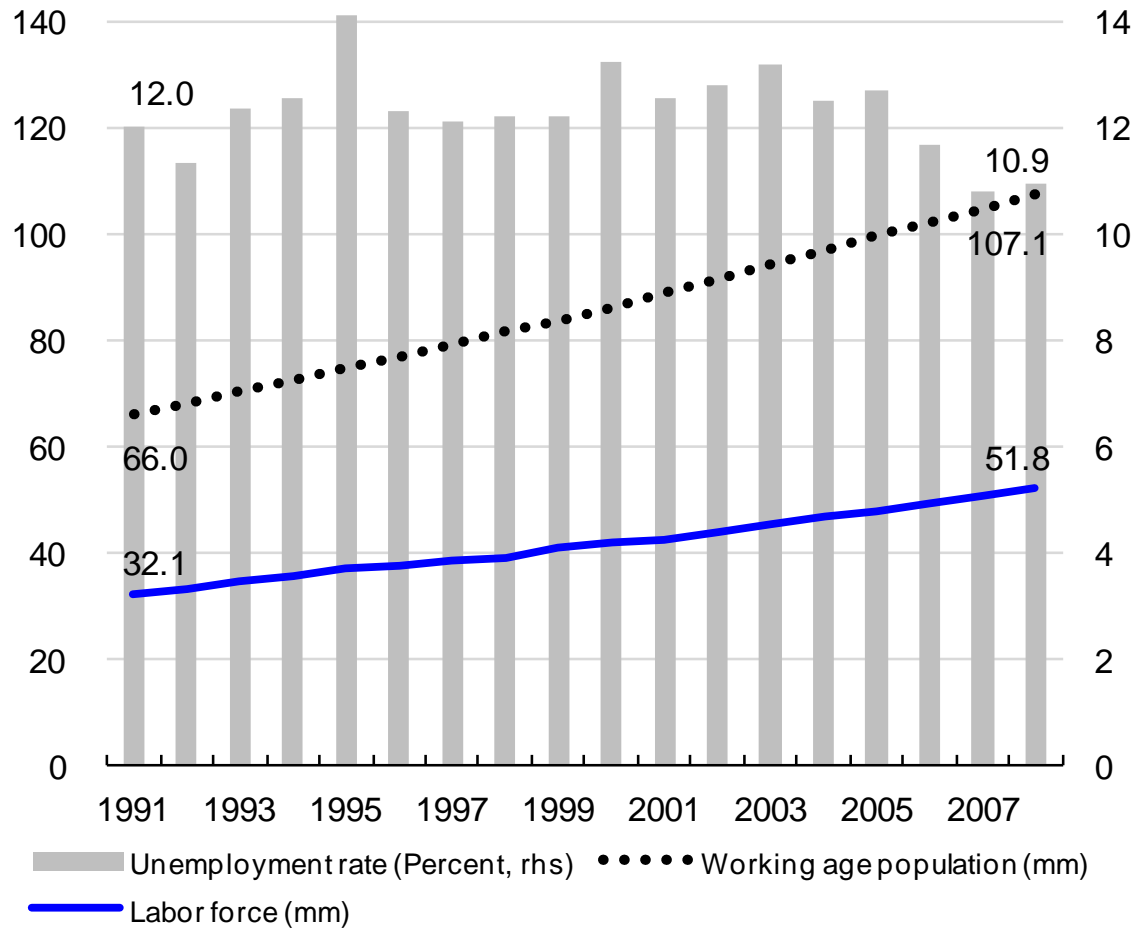


Sources: Haver Analytics; and national authorities.

¹Excludes Mauritania and Syria.



High unemployment is a long-standing problem

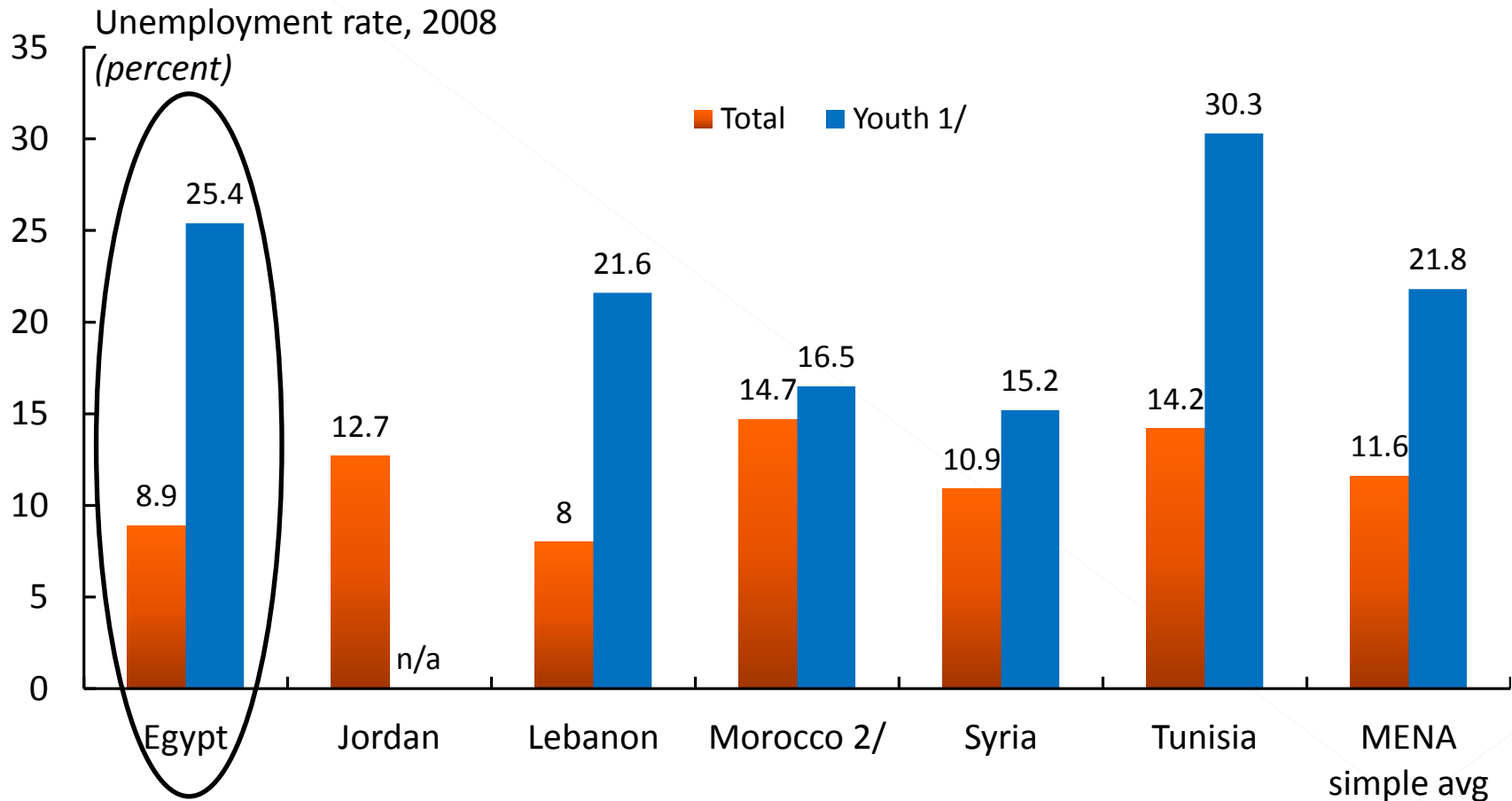


Sources: National authorities; IMF, World Economic Outlook; staff estimates; and International Labor Organization.



Youth unemployment is even higher

President Mubarak: The youth are *“the most precious of all our resources and wealth”*



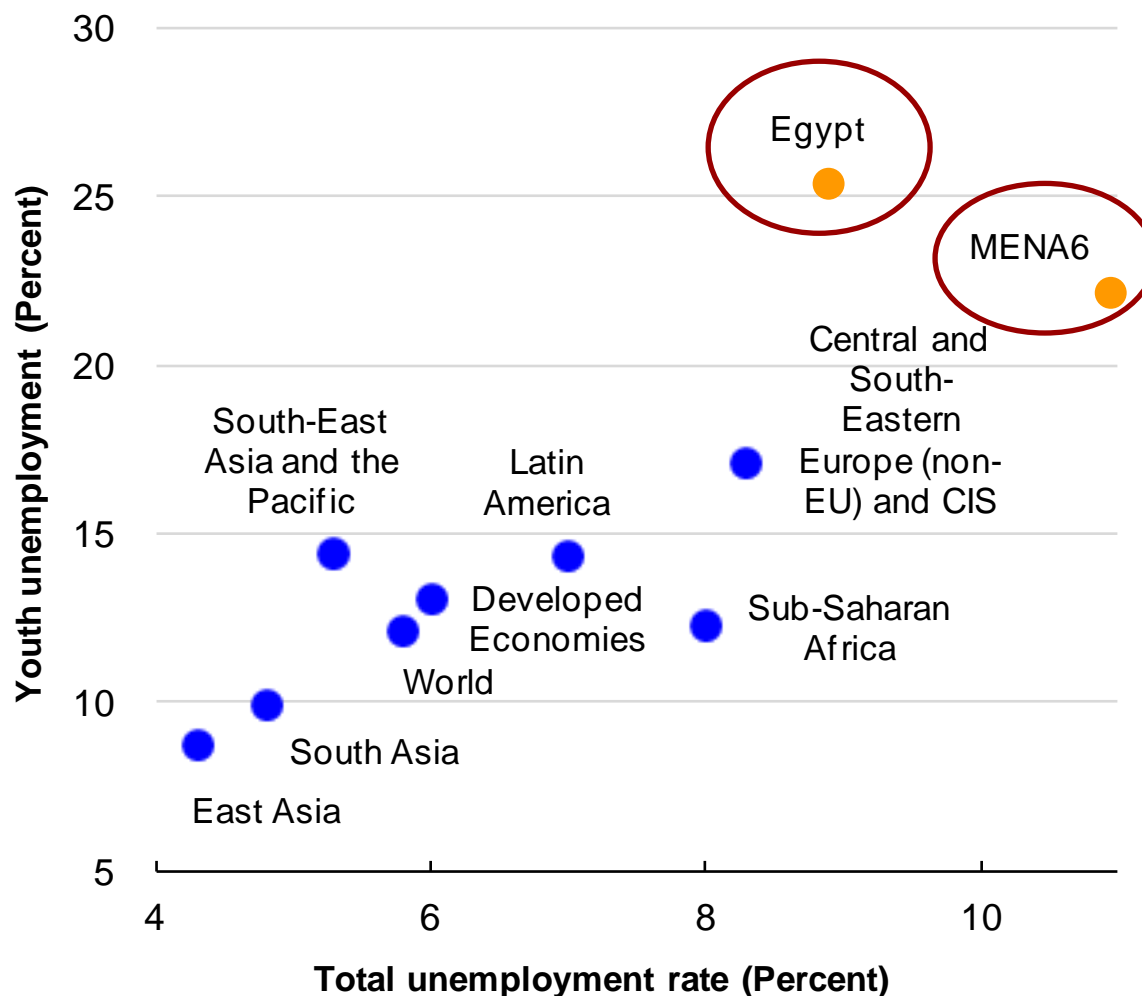
Sources: National authorities; IMF, World Economic Outlook; staff estimates; and International Labor Organization.

1/ 2008, or most recent year for which data are available.

2/ Unemployment rate reflects data from Urban Labor Force survey.



Unemployment is high compared to other regions

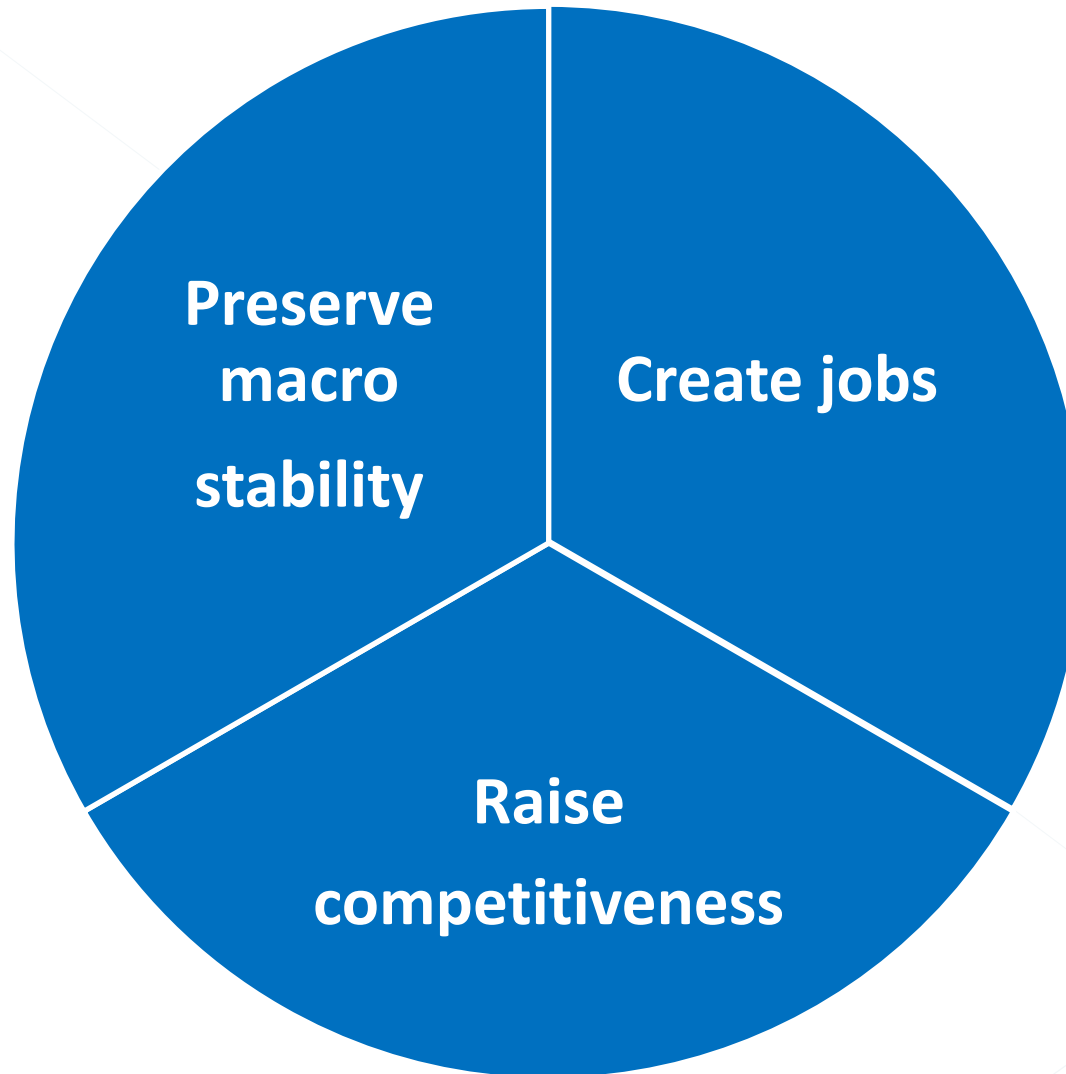


Sources: National authorities; IMF, World Economic Outlook; staff estimates; and International Labor Organization.

Note: MENA6 refers to Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia. Youth unemployment estimate for MENA6 excludes Jordan. Data refers to 2008 or latest available year.



Challenges going forward



Over 18 Million Jobs Needed in MENA6

Labor Force: Unemployed and New Entrants		
MENA6 Countries	Unemployed in 2008 (millions)	New Entrants (2008–2020) (millions)
Egypt	2.3	7.1
Jordan	0.2	0.7
Lebanon	0.1	0.1
Morocco	1.7	2.3
Syria	0.8	2.0
Tunisia	0.5	0.5
Total	5.6	12.7

Egypt

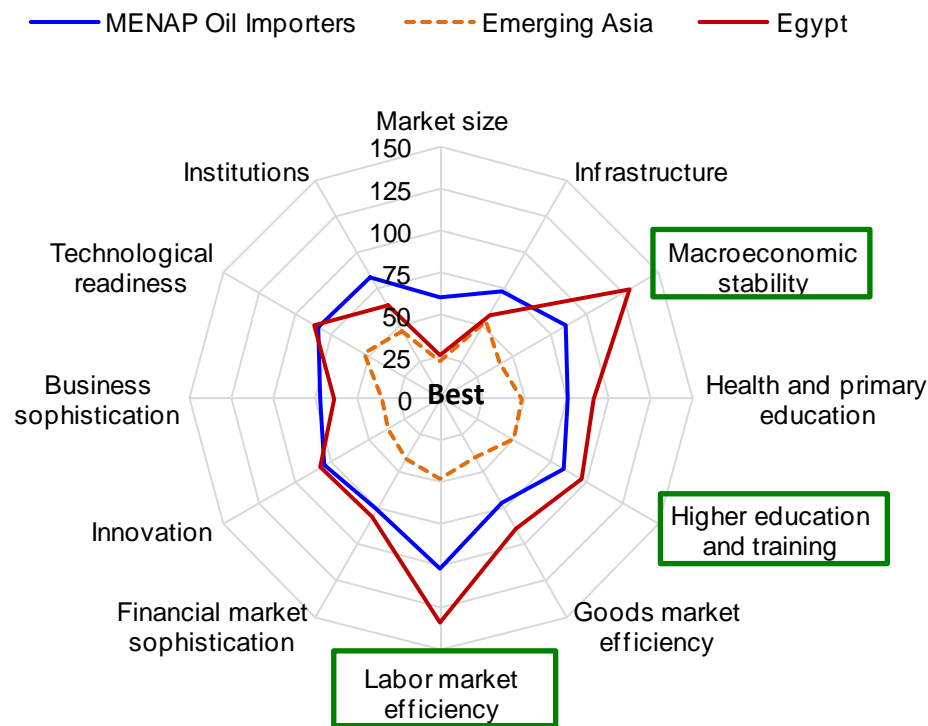
- 9.4 million jobs need to be created
- GDP growth rate needs to rise to 7 percent per annum to absorb only the new entrants
- GDP growth rate needs to rise to nearly 10 percent per annum to absorb the unemployed and new entrants

=> **focus on labor-intensive growth**

Source: Abdih, Yasser and Anjali Garg (2010), IMF.

Competitiveness will need to improve

Competitiveness Rankings, 2010–11¹



Source: World Economic Forum, Global Competitiveness Report, 2010–11.

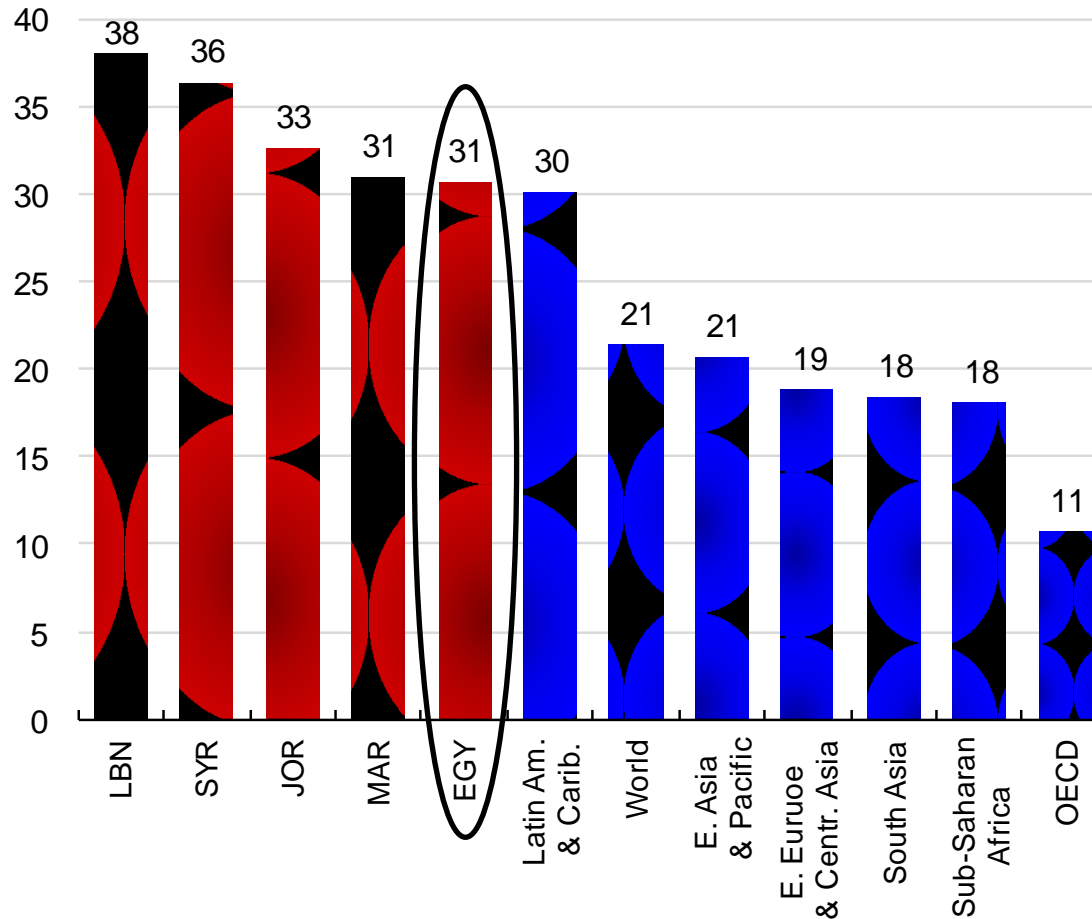
¹Economies are ranked from 1 to 139, with first place being the best.

MENAP oil importers is a simple average of Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Syria, and Tunisia. Emerging Asia is simple average of China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan Province of China, Thailand, and Vietnam.



Skills mismatch?

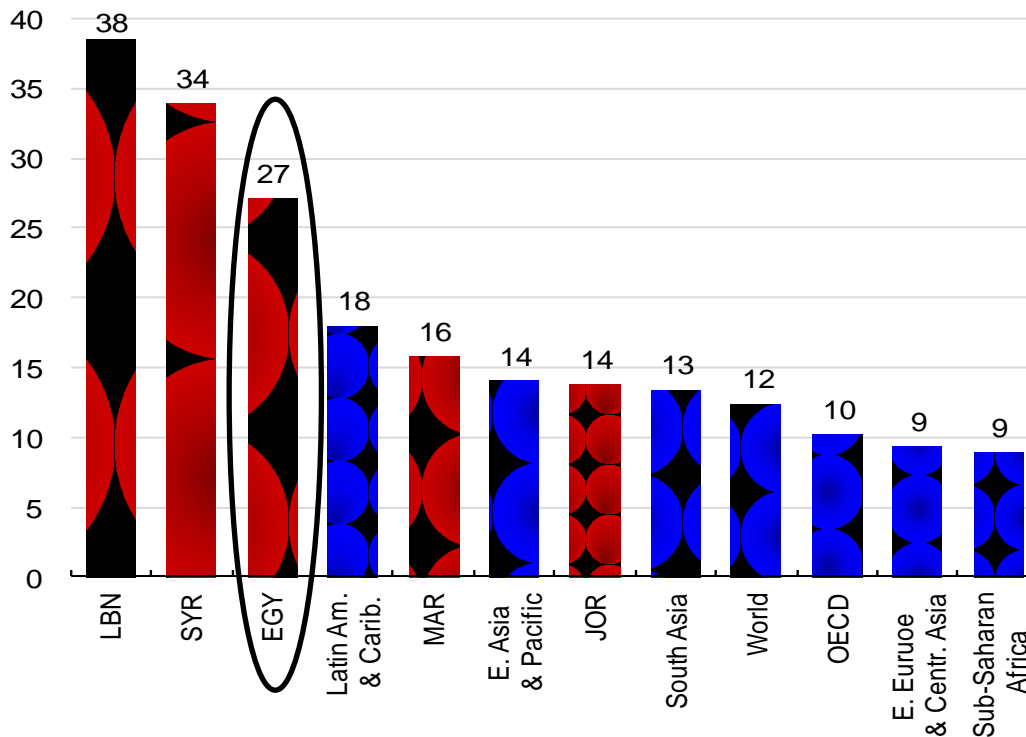
Firms identifying labor skill level as a major constraint; percent, most recent



Source: World Bank, Enterprise Survey Results.

Labor markets are rigid

Firms identifying labor regulations as a major constraint; percent, most recent



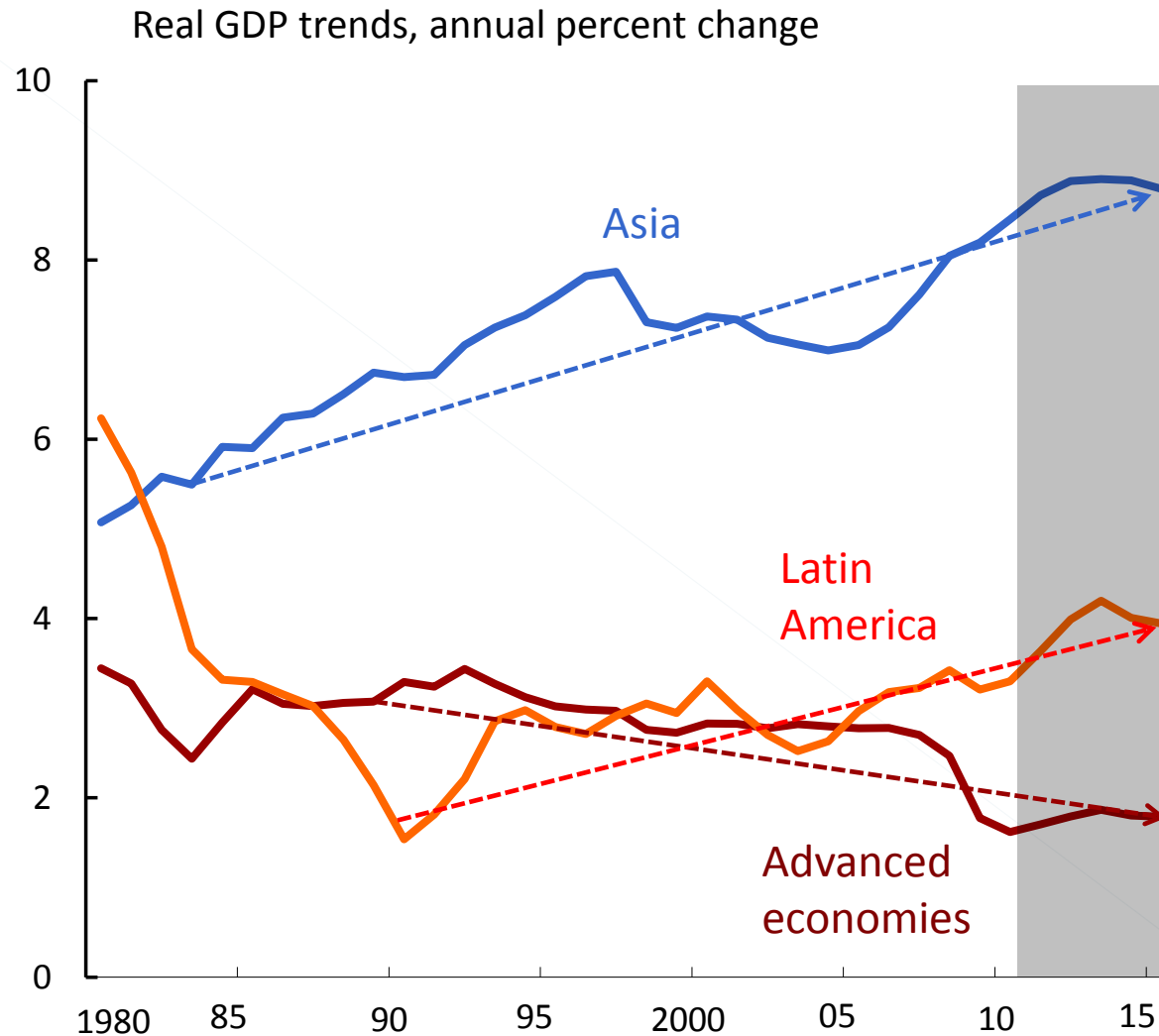
Egypt

- Firing cost is high (132 weeks of wages relative to 54 weeks in MENA)
- Top private sector positions filled often by relatives or friends

Source: *The 7th Egyptian Competitiveness Report (2010)*



Seek new economic partnerships



Source: IMF, World Economic Outlook database.

Note: 1980-2015 real GDP growth data are de-trended as 10-year backward rolling averages.



Policy priorities: Job Creation and Growth

