

Middle East and Central Asia Regional Economic Outlook Update April 2012



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Overview

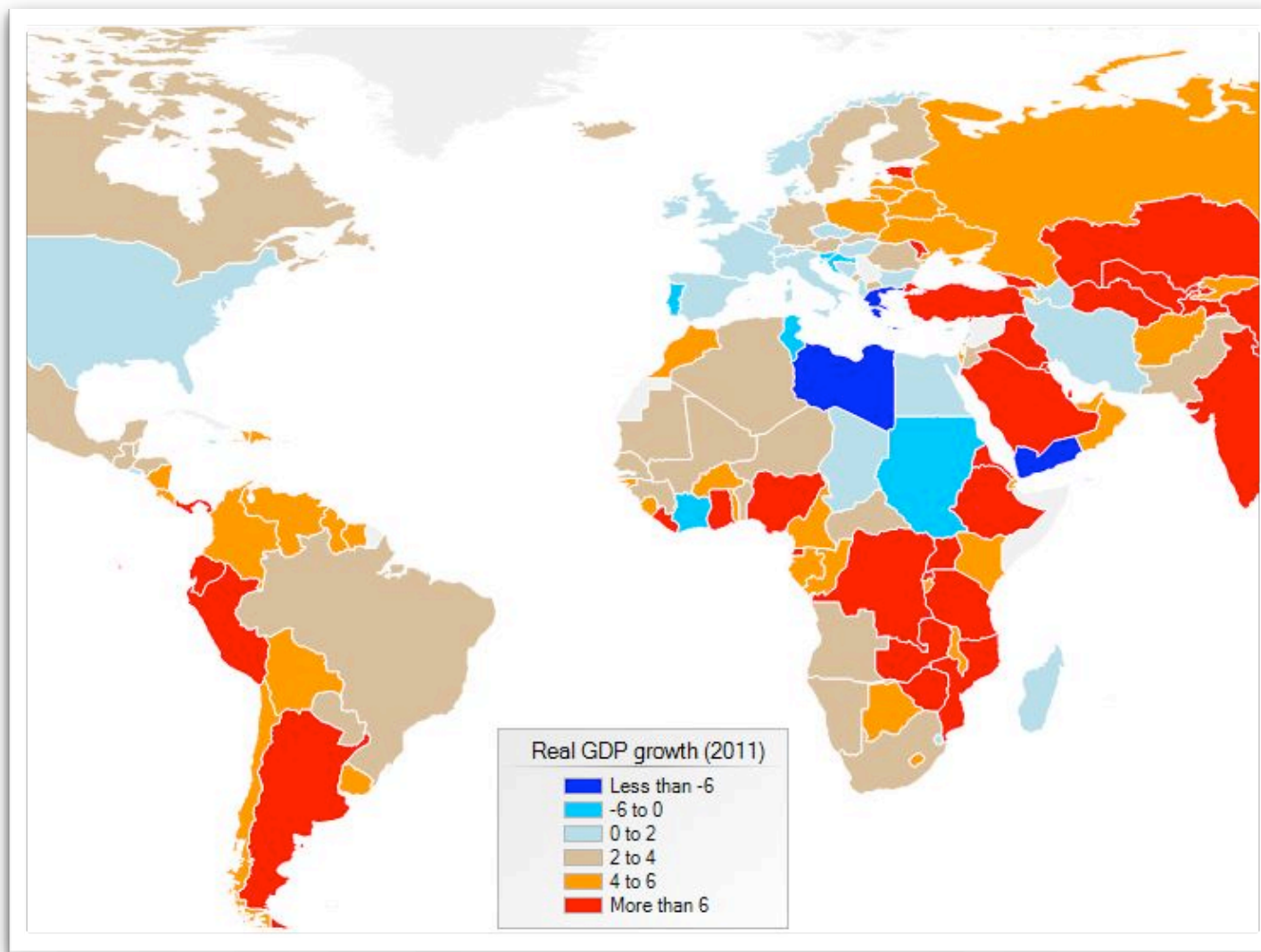
❖ Global outlook

❖ Oil importers: developments and outlook

❖ Oil exporters: developments and outlook



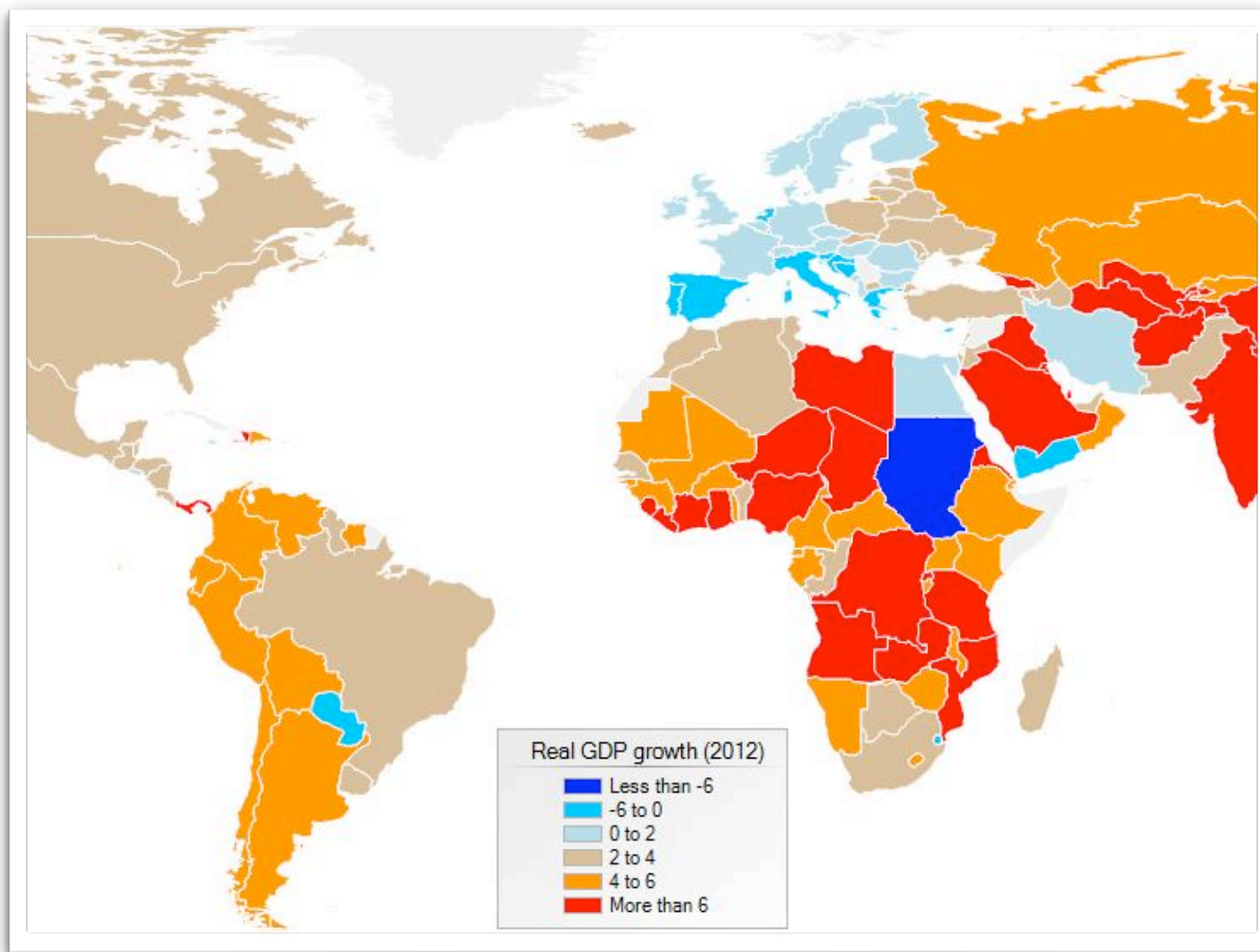
Uneven outturn in 2011...



Source: IMF, *World Economic Outlook*.



... mixed prospects in 2012



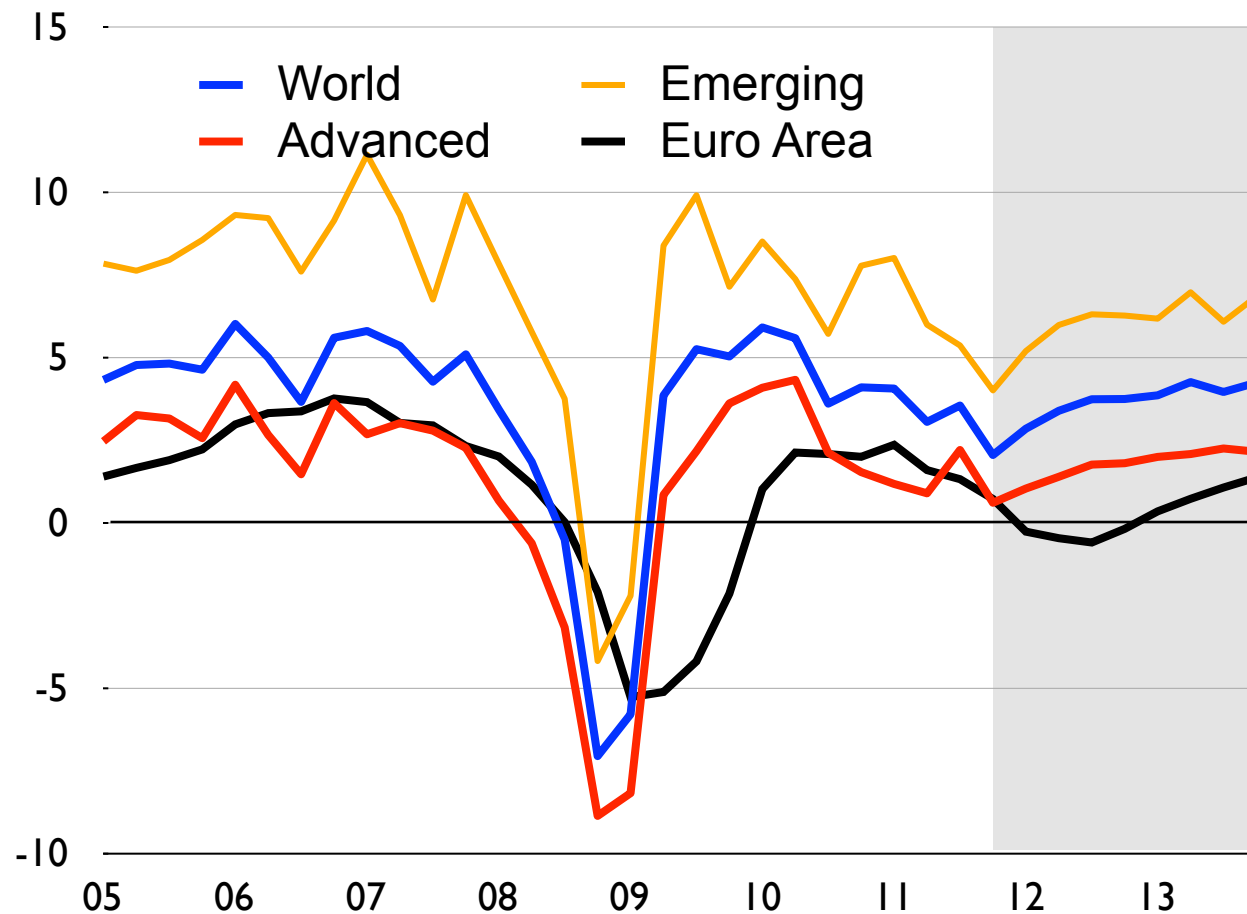
Source: IMF, *World Economic Outlook*.



Advanced economies growth weak, emerging markets robust

Real GDP growth

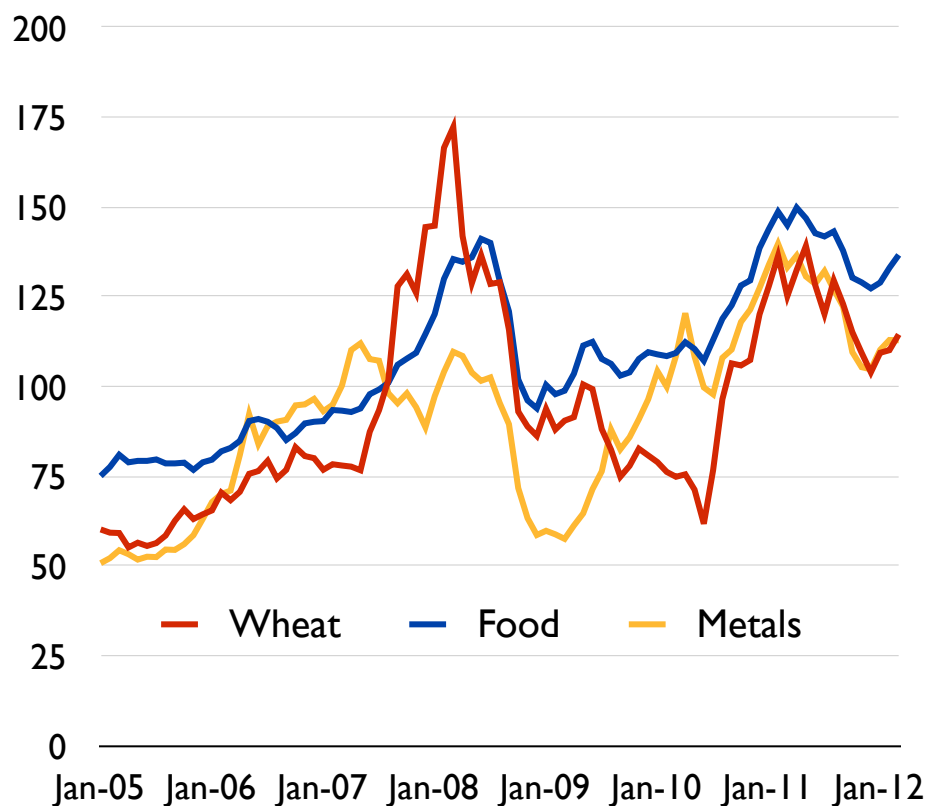
Percent, quarter over quarter annualized



Commodity prices remain high

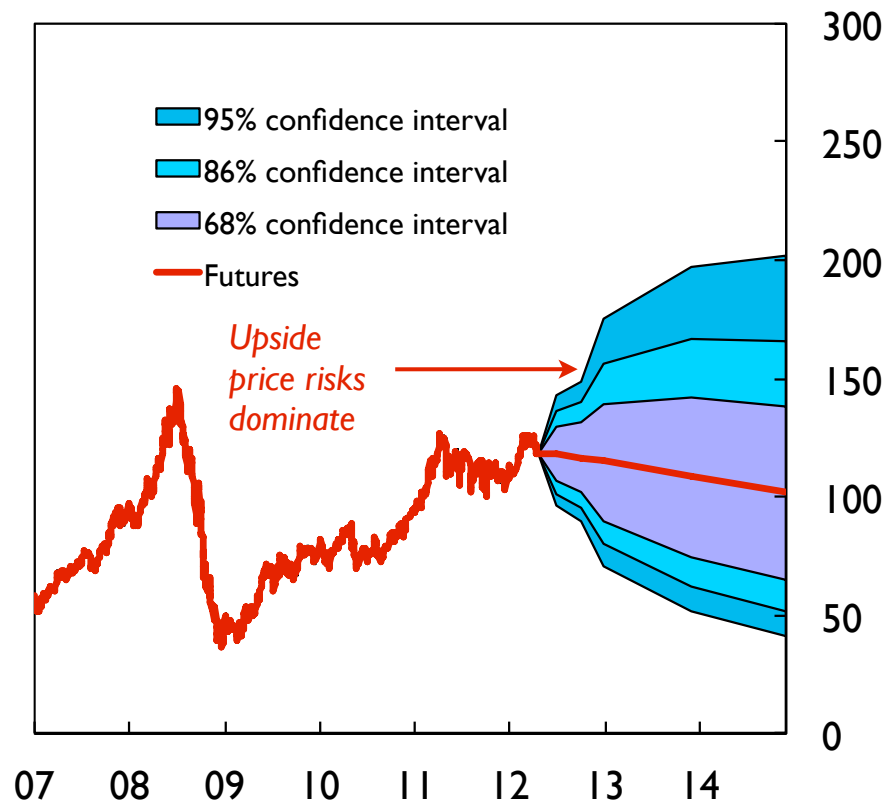
Global commodity price developments

Index; 2007=100



Brent crude oil price prospects¹

U.S. dollars a barrel



Sources: Bloomberg; and IMF staff calculations.

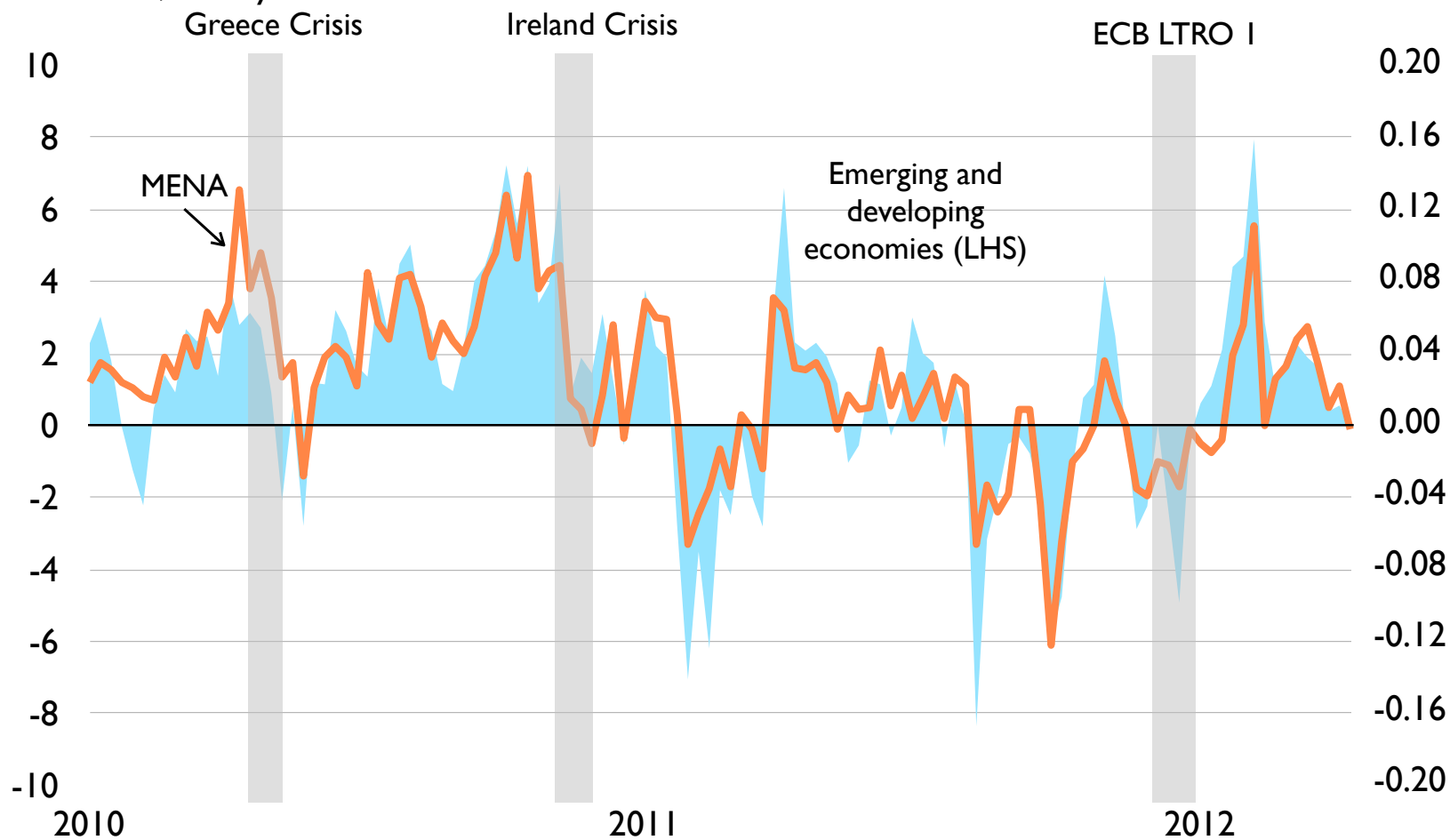
¹Derived from prices of future options on April 19, 2012.



Capital flows volatile

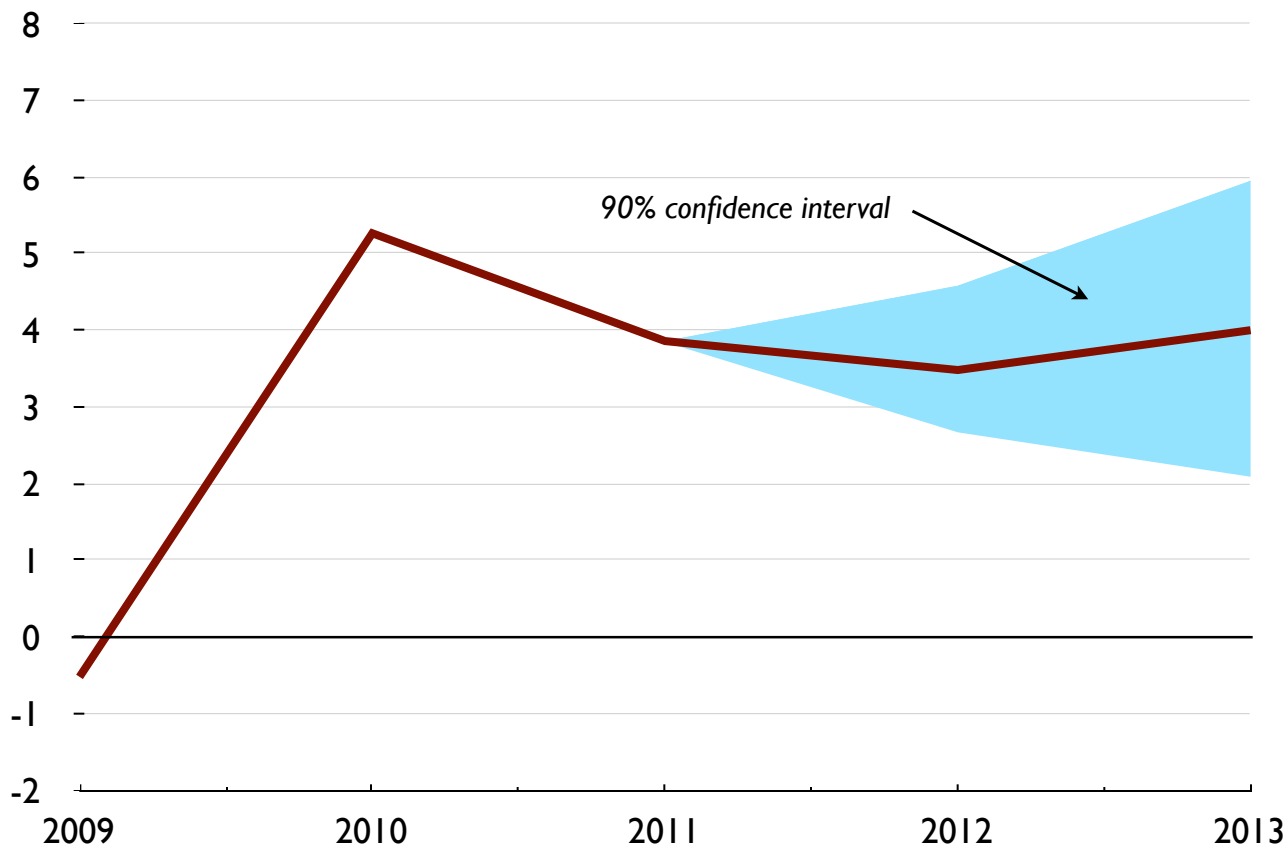
Capital flows

U.S. billions; weekly



Downside risks remain elevated

Prospects for world GDP growth
(Annual percent change)



Downside risks:

- Further escalation of Euro area crisis
- Oil supply concerns (risk of higher oil prices)
- Excessively tight macroeconomic policies in advanced economies
- Disruption in global bond and currency markets

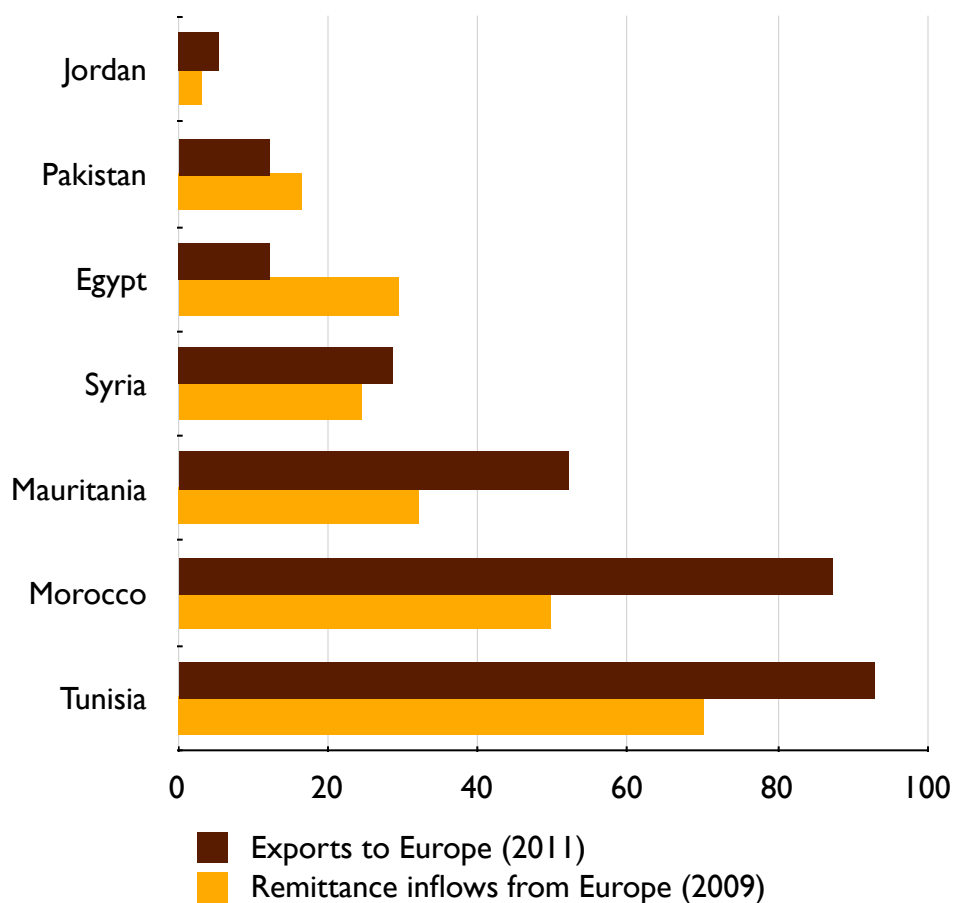
Source: IMF, World Economic Outlook.



MENAP: risks from links with Europe

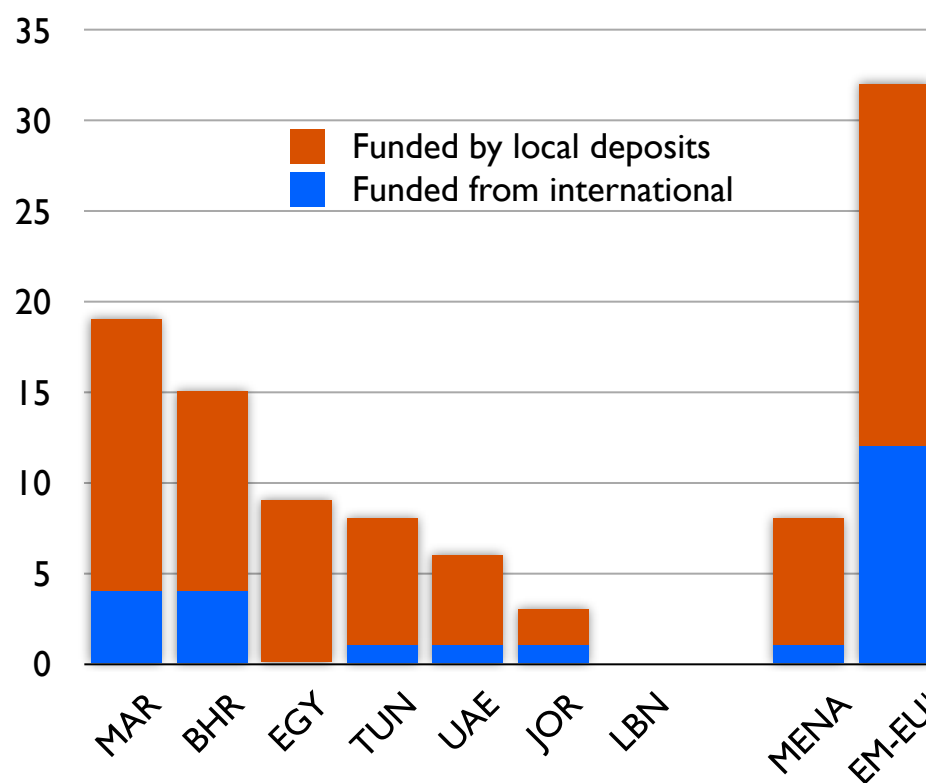
Trade and remittances linkages with Europe

Percent of total



Local currency assets of European subsidiaries and branches

Percent of GDP, 2011



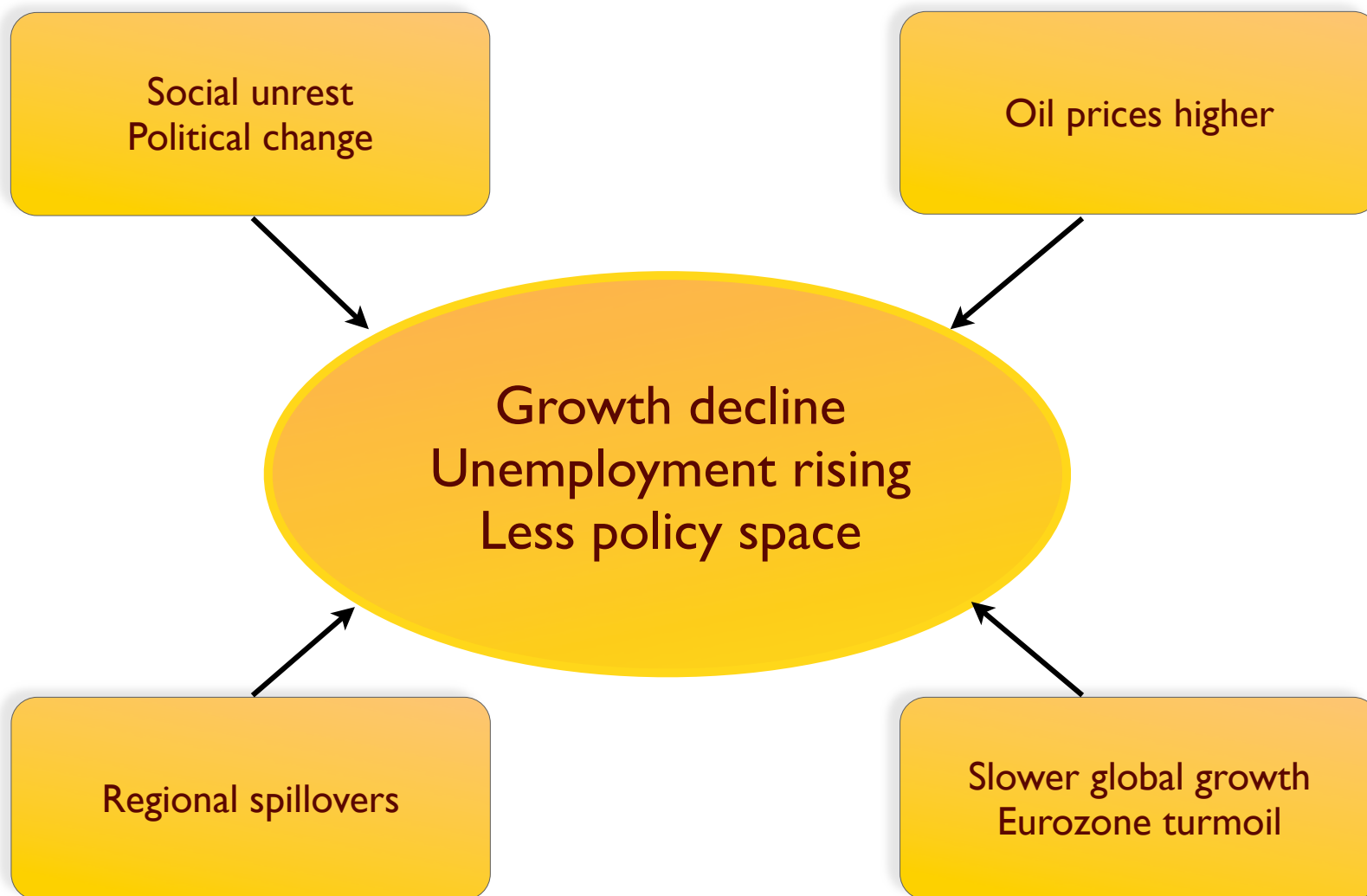
Sources: Bank for International Settlements; and IMF staff calculations.
¹Central and Eastern Europe (excluding Russia and Turkey).



MENAP oil importers



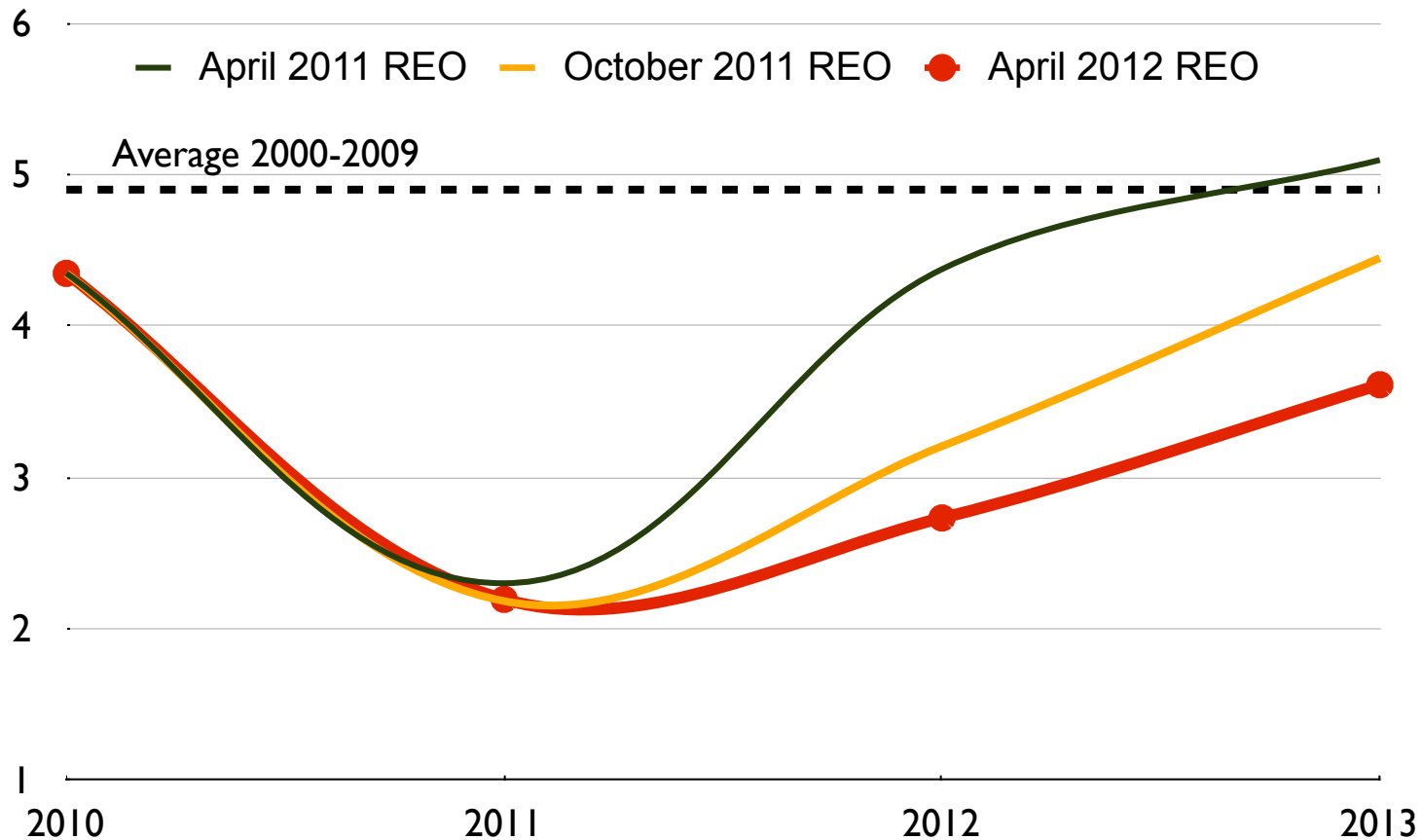
Oil importers: domestic and external shocks in 2011-12



Growth forecasts successively revised downward

MENAP oil importers: real GDP growth¹

Percent



Sources: National authorities; and IMF staff calculations.

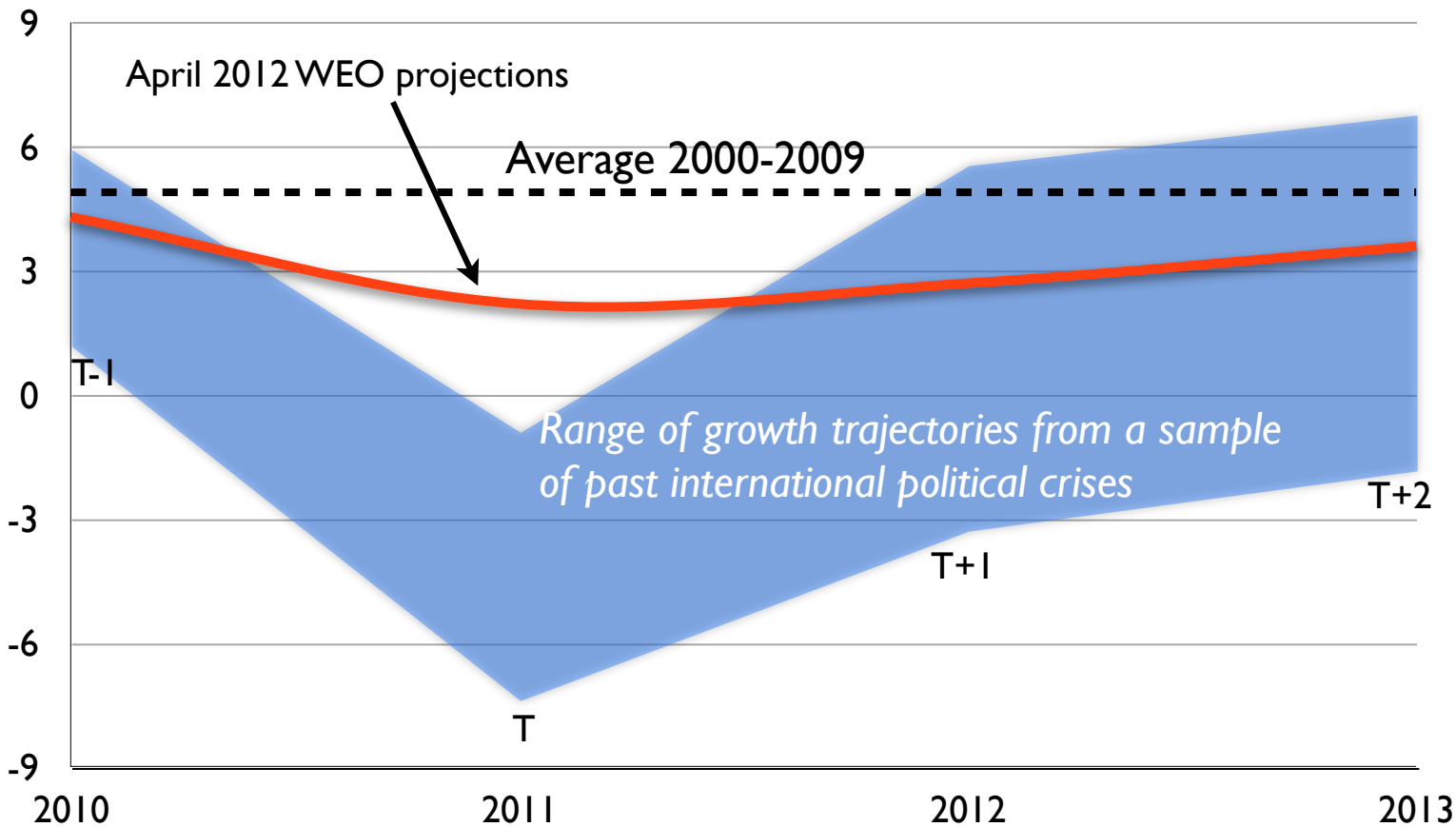
¹Excludes Syria from 2011 onwards.



Slow recovery likely in line with international experience

MENAP oil importers: Real GDP growth projections

Percent



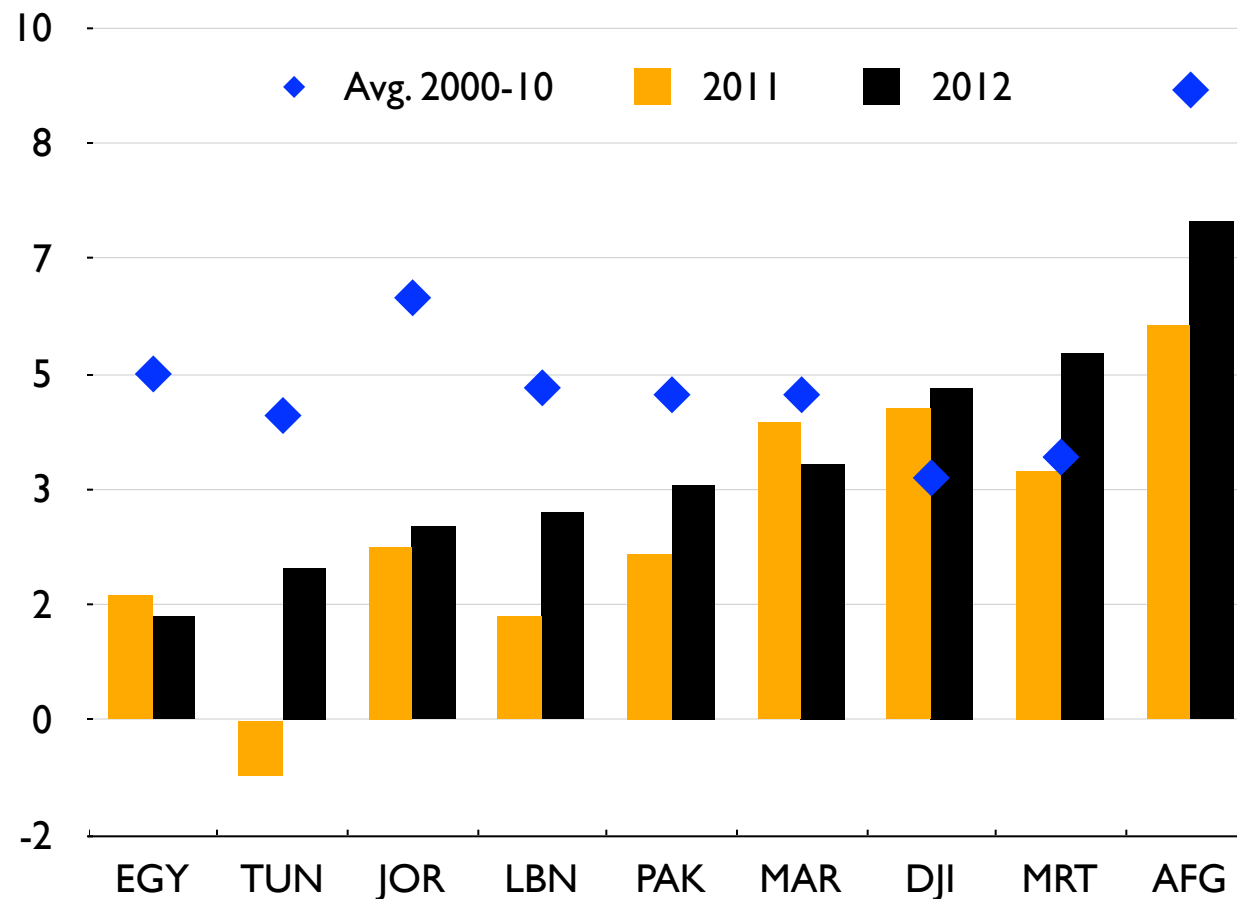
Sources: National authorities; and IMF staff calculations.



Downturn: some countries affected more than others

Real GDP

Percent change



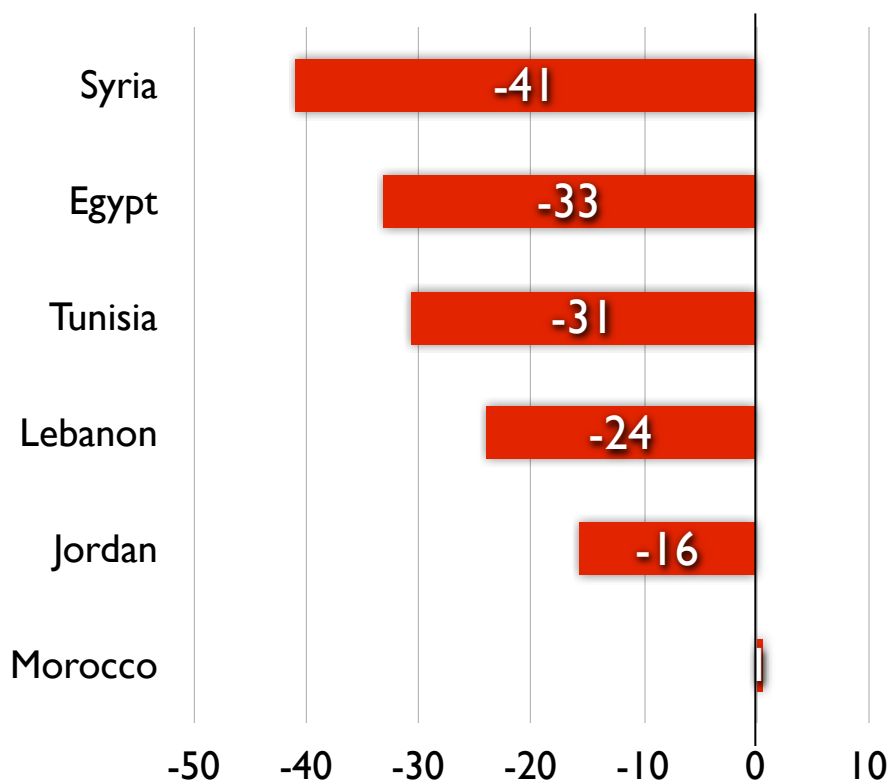
Sources: National authorities; and IMF staff calculations.



External inflows will continue to weigh on growth

Tourism arrivals

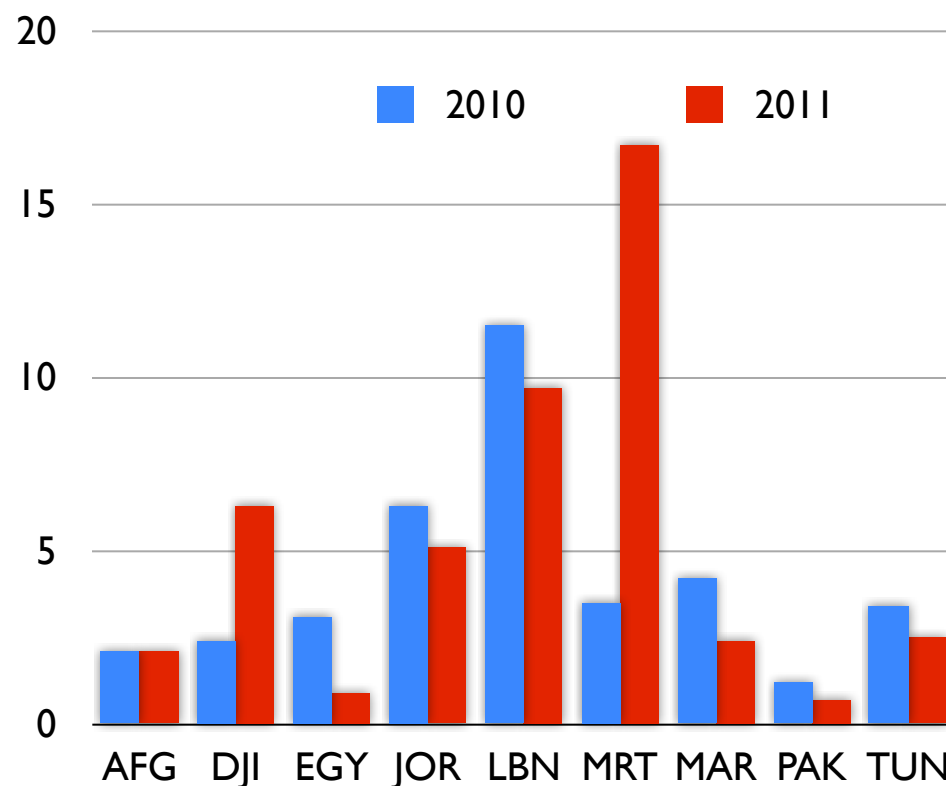
Annual percent change, 2011



Source: World Tourism Organization (UNWTO).

Foreign direct investment inflows

Percent of GDP



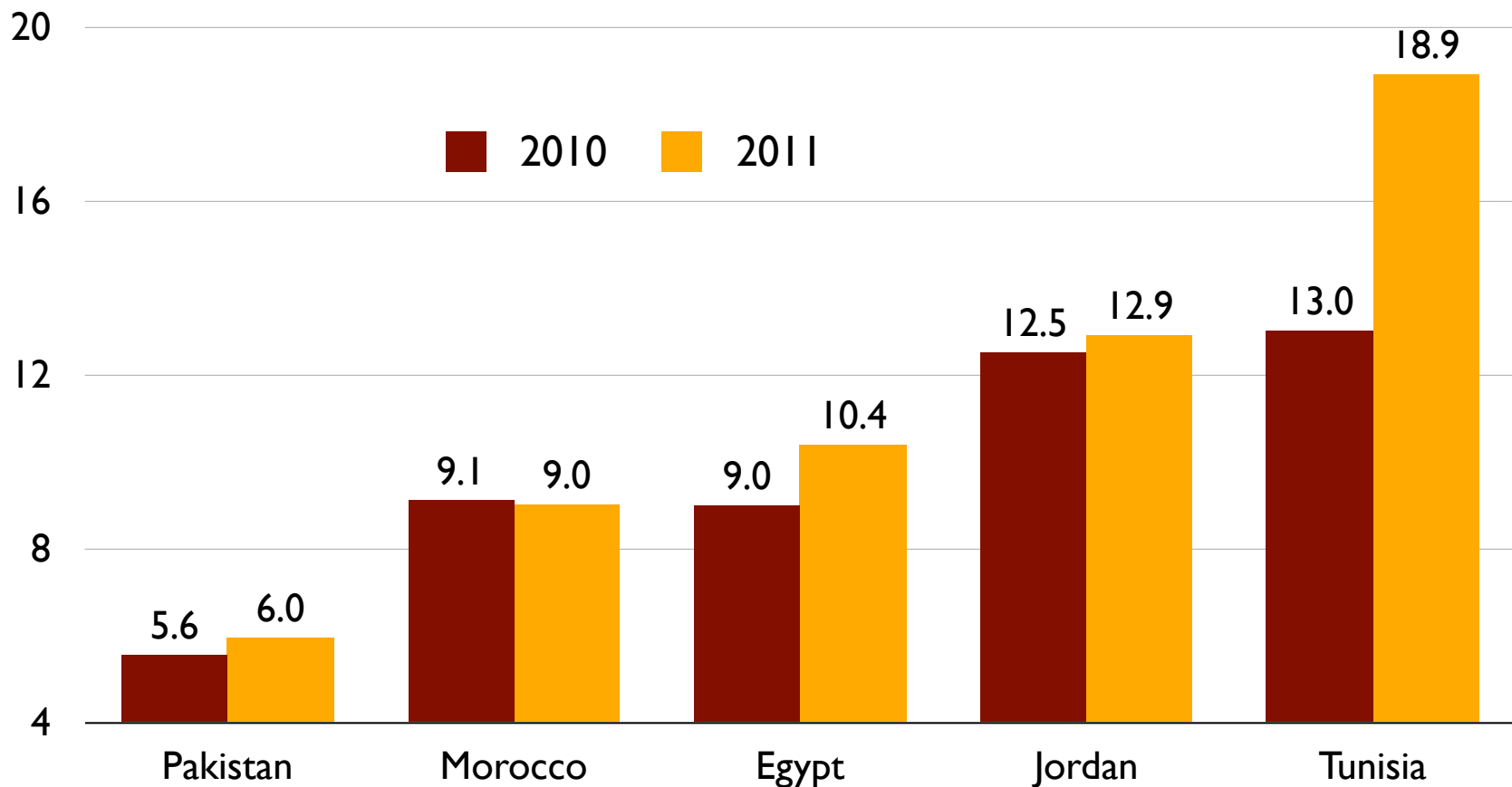
Sources: National authorities; and IMF staff calculations.



Unemployment has increased from already high levels

Unemployment rate

Percent

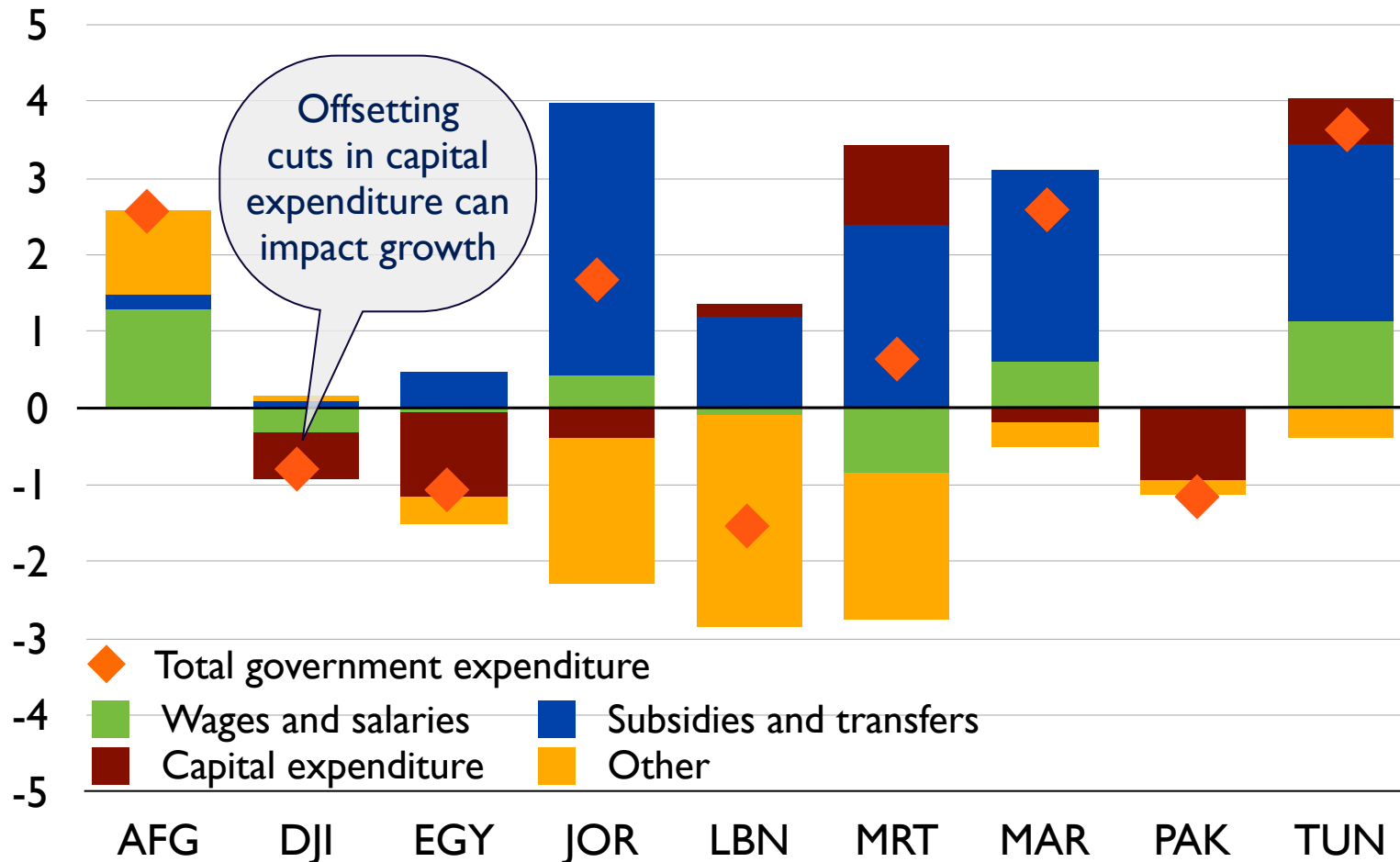


Sources: National authorities; and IMF staff calculations.



Policy response: higher spending, mainly on subsidies

Percent of GDP, 2011 versus 2010

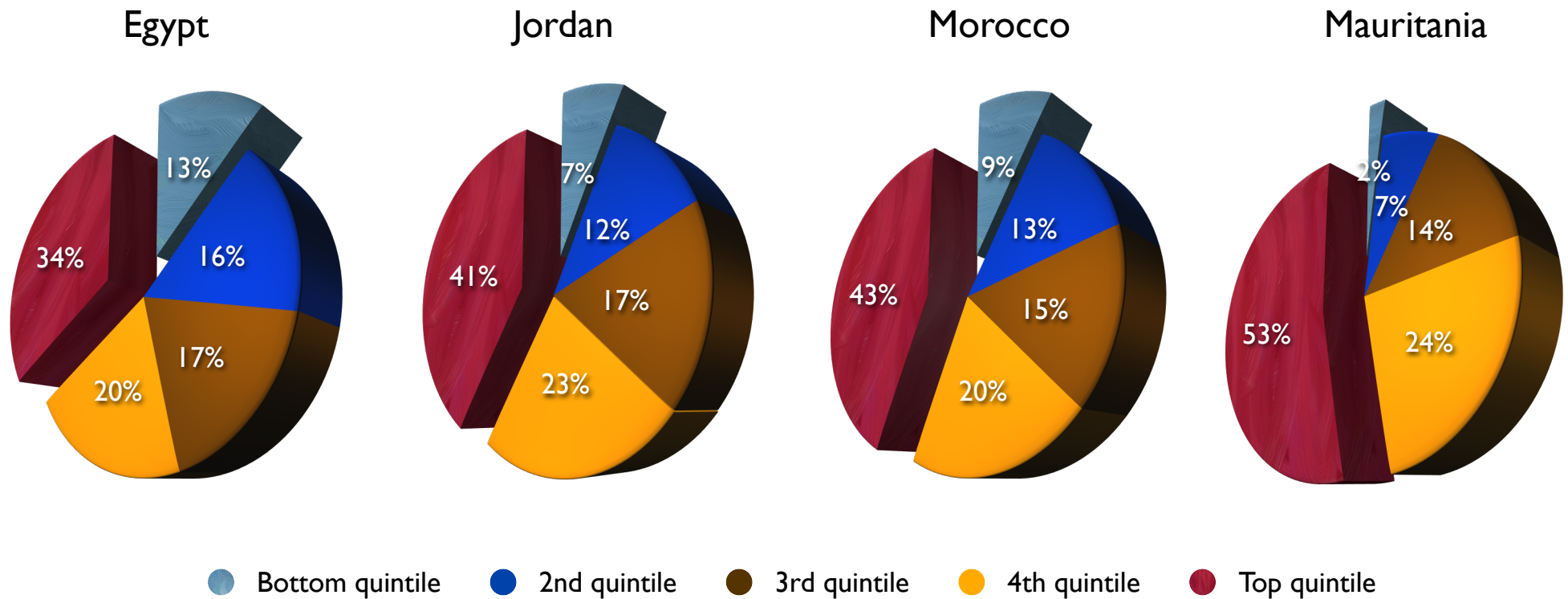


Sources: National authorities; and IMF staff calculations.



Subsidies overwhelmingly benefit the wealthy

Incidence of energy subsidies

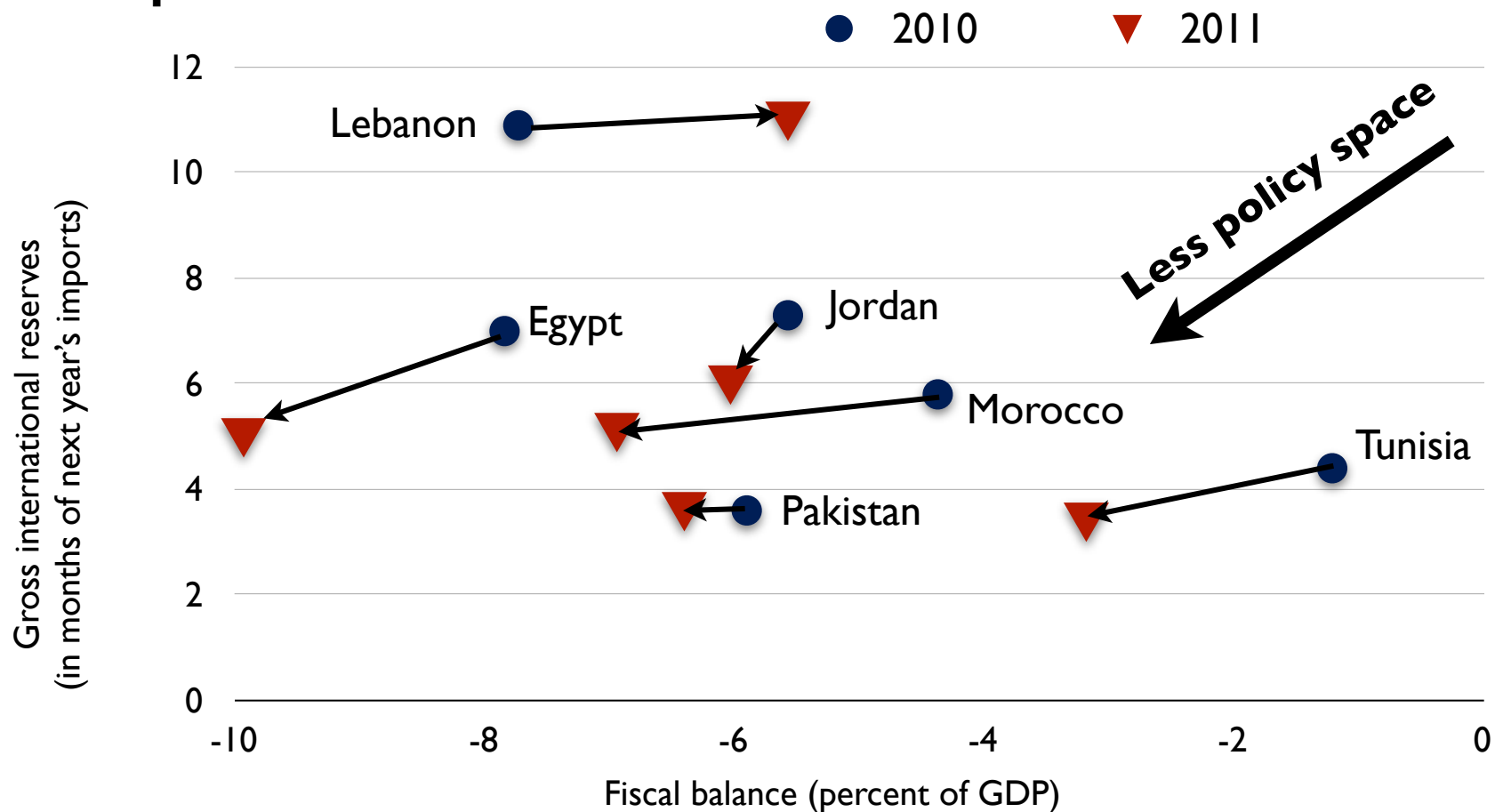


Sources: National authorities; and IMF staff calculations.



As a result, oil importers' policy space is greatly reduced

Fiscal space and reserves buffers



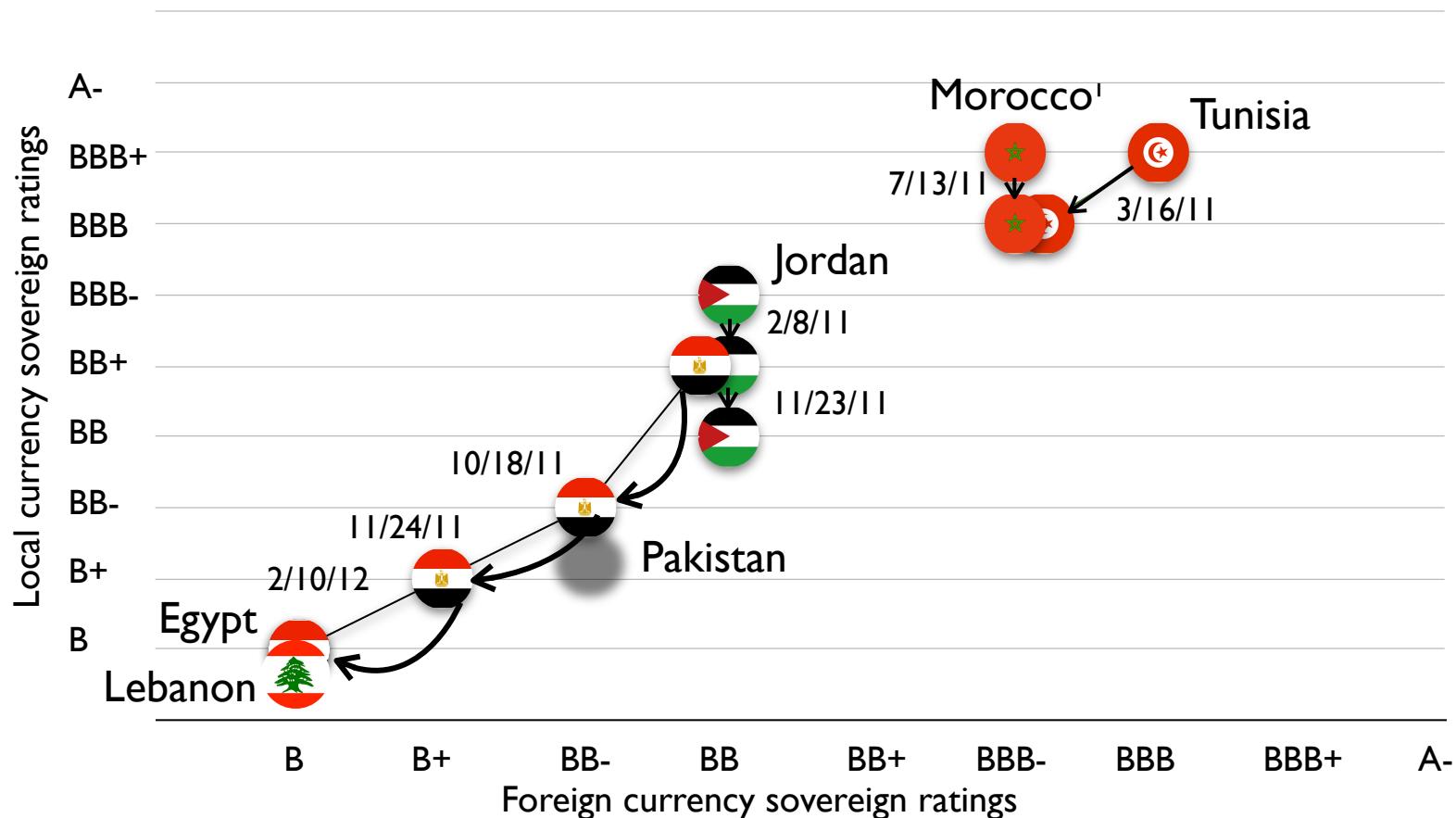
Sources: National authorities; and IMF staff calculations.



Creditworthiness indicators have taken a hit

Foreign and local currency sovereign rating downgrades by S&P

End-2010 to present



Sources: Rating agencies; and IMF staff calculations.

¹ The change in domestic rating for Morocco reflects a change in methodology.



Financing needs are large

Financing Needs, Middle Income MENA Oil Importers¹ (in billions of U.S. dollars)

	Projections	
	2012	2013
Current account deficit (excl. official transfers)	27.6	25.0
External amortization	19.6	20.3
External gross financing needs	47.2	45.4
Budget deficit (excl. grants)	36.9	35.6
Public external amortization	15.1	15.5
Fiscal financing needs²	52.0	51.1
Public short-term domestic debt ³	103.6	102.8

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

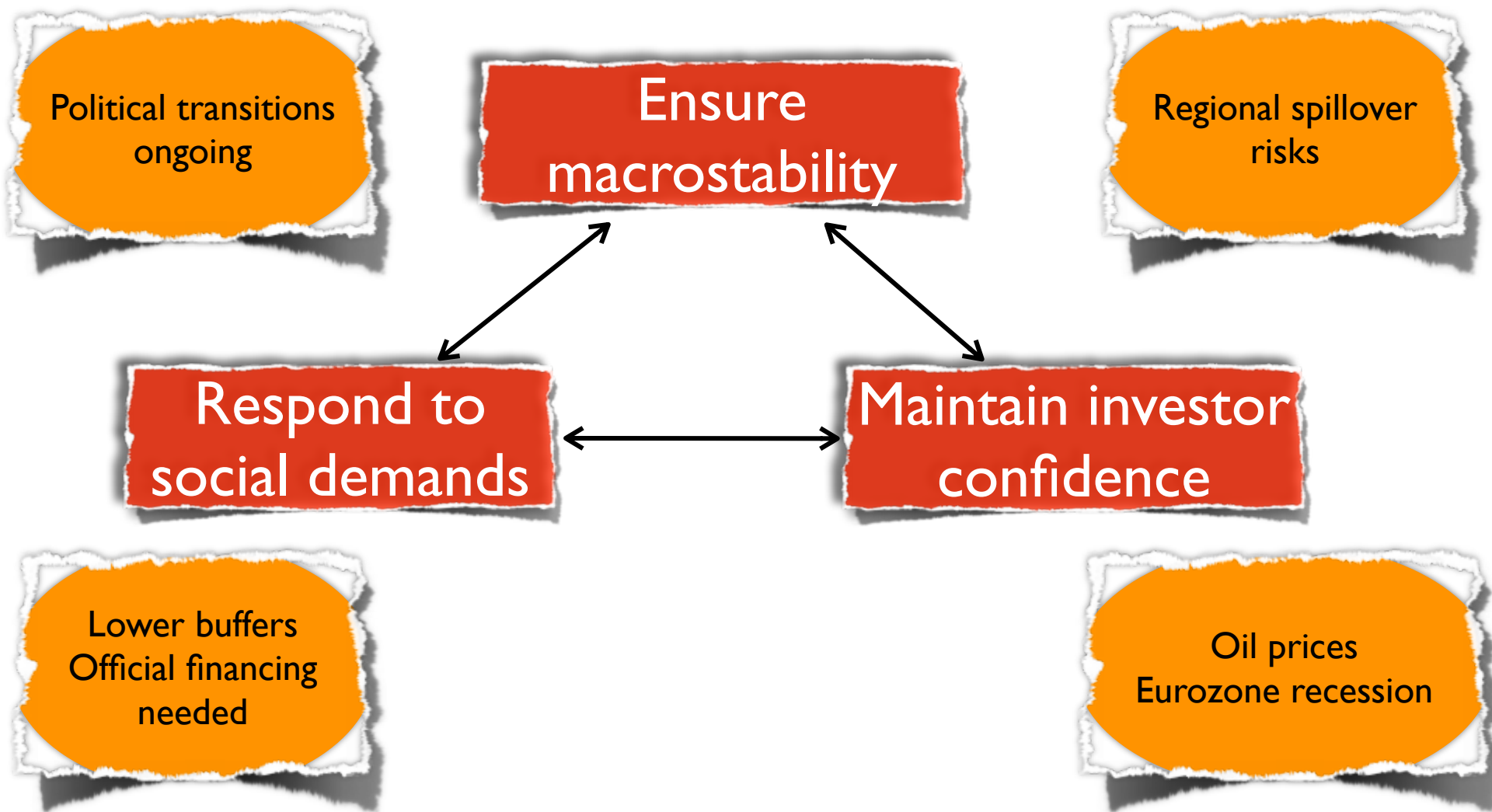
¹Comprises Egypt, Jordan, Lebanon, Morocco, and Tunisia. No data available for Syria.

²Assuming full domestic rollover, zero external rollover.

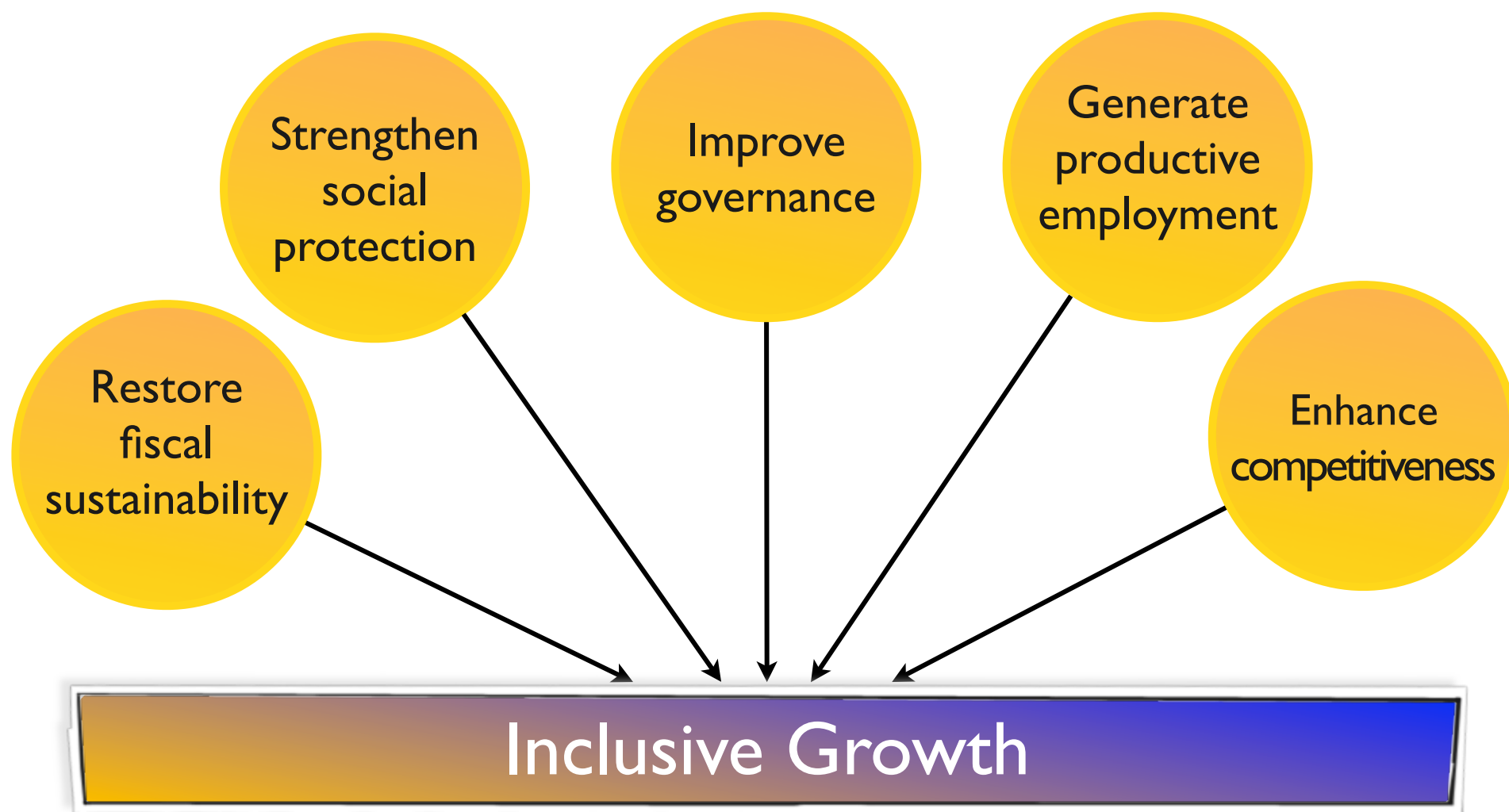
³Remaining maturity basis.



Maintaining stability in a volatile environment



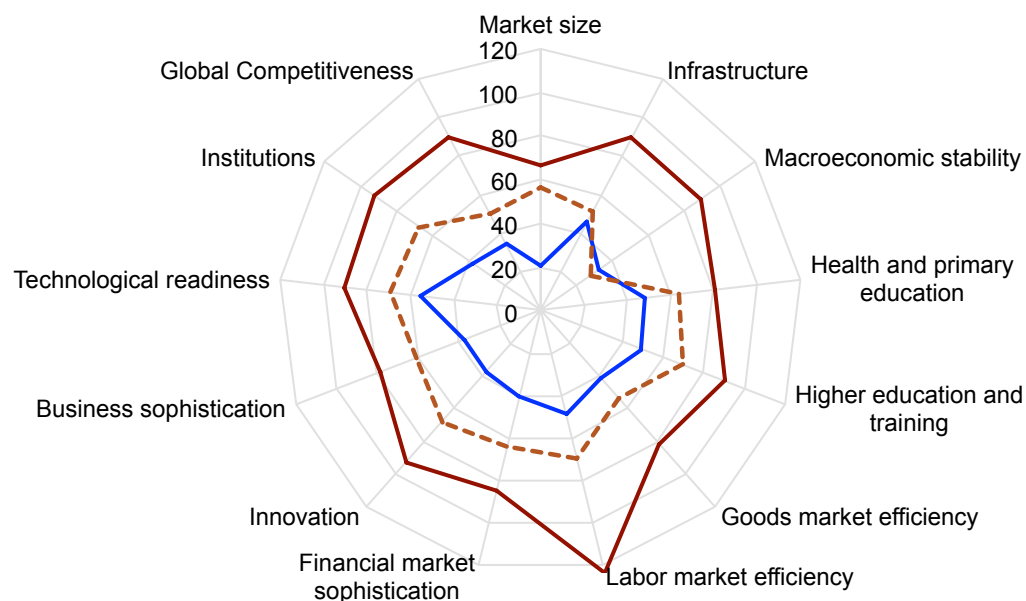
Moving from stabilization to transformation



Reforms needed in most areas...

Competitiveness rankings, 2011-12¹

Emerging Asia — MENAP oil importers — MENAP oil exporters - - - -



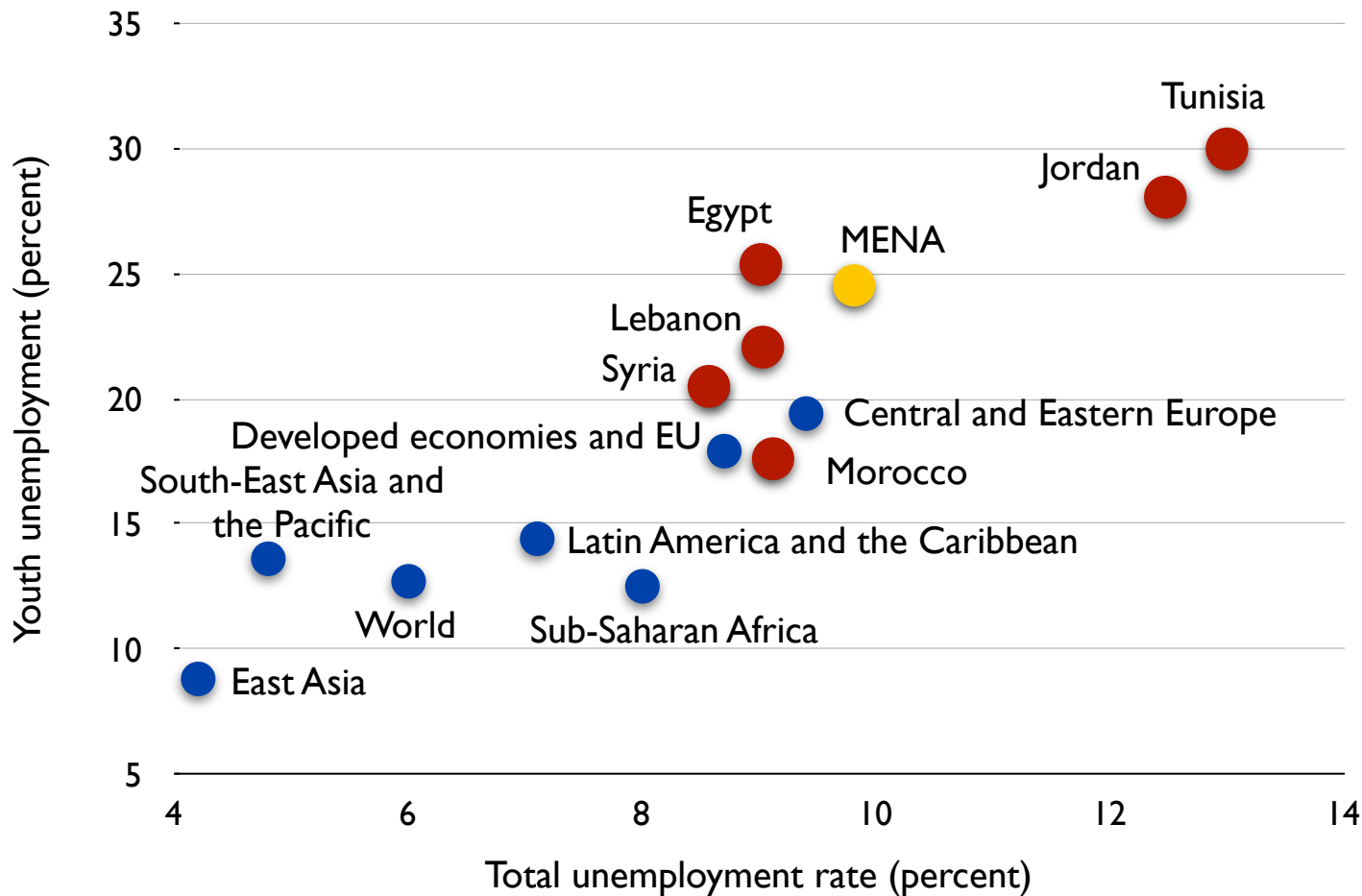
Sources: World Economic Forum, Global Competitiveness Report, 2011-12
¹Economies are ranked from 1 to 143, with first place being the best.



... to address chronically high unemployment

Unemployment rates by region

2010



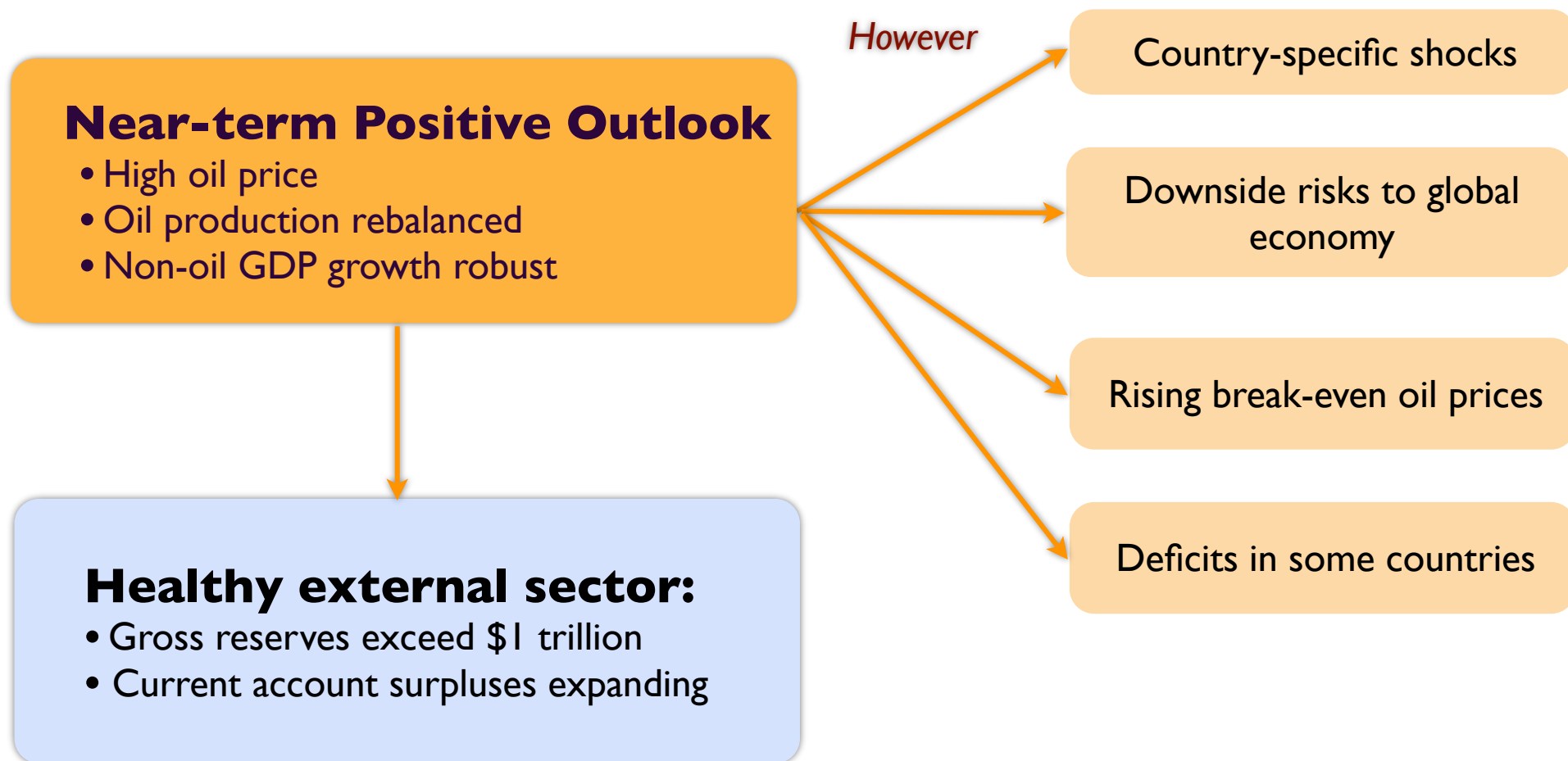
Sources: International Labor Organization; national authorities; and IMF staff calculations.



MENAP oil exporters

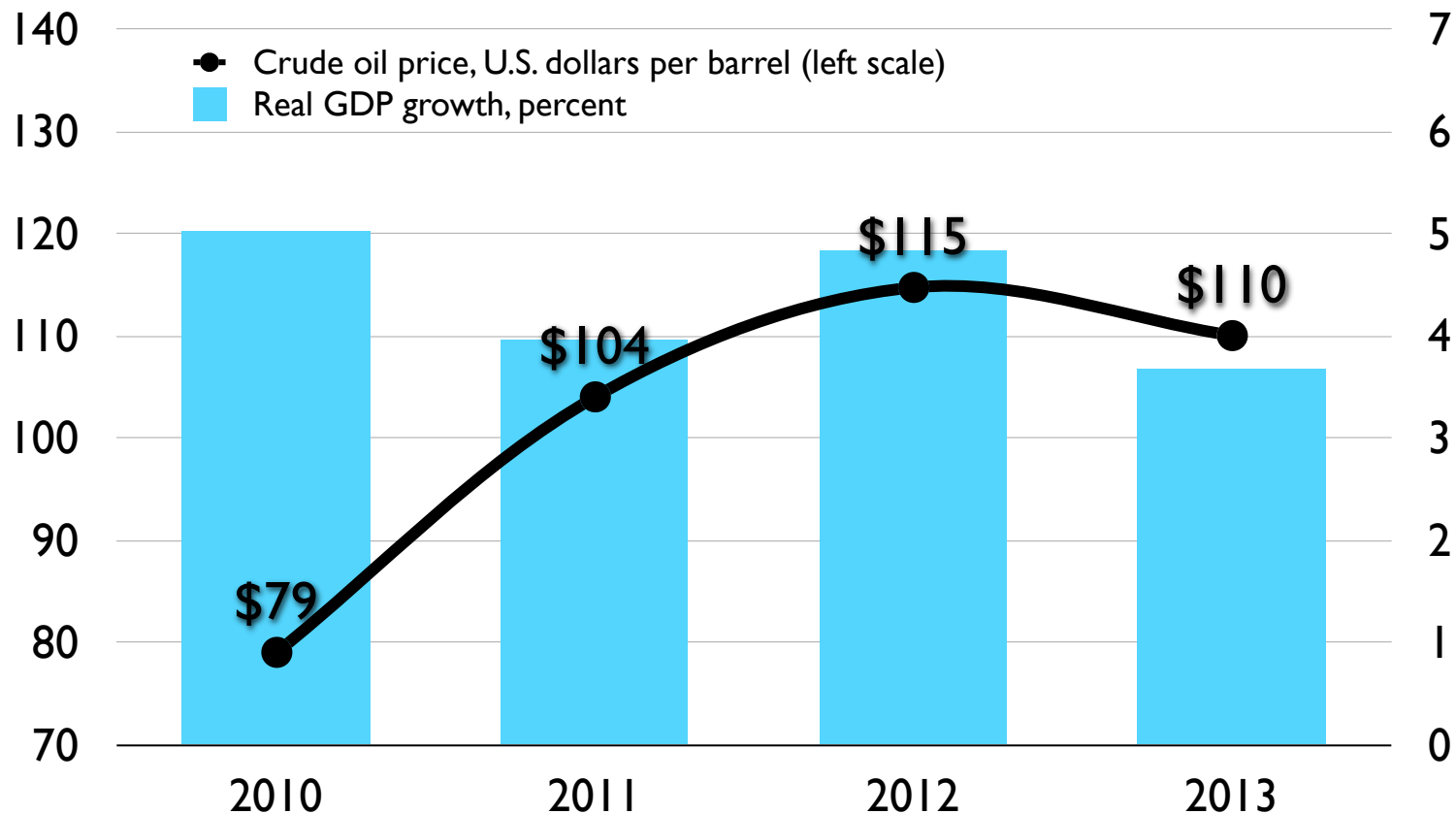


Oil exporters: positive outlook, but vulnerabilities remain



On average, strong growth dynamics

MENAP oil exporters: real GDP growth and oil prices



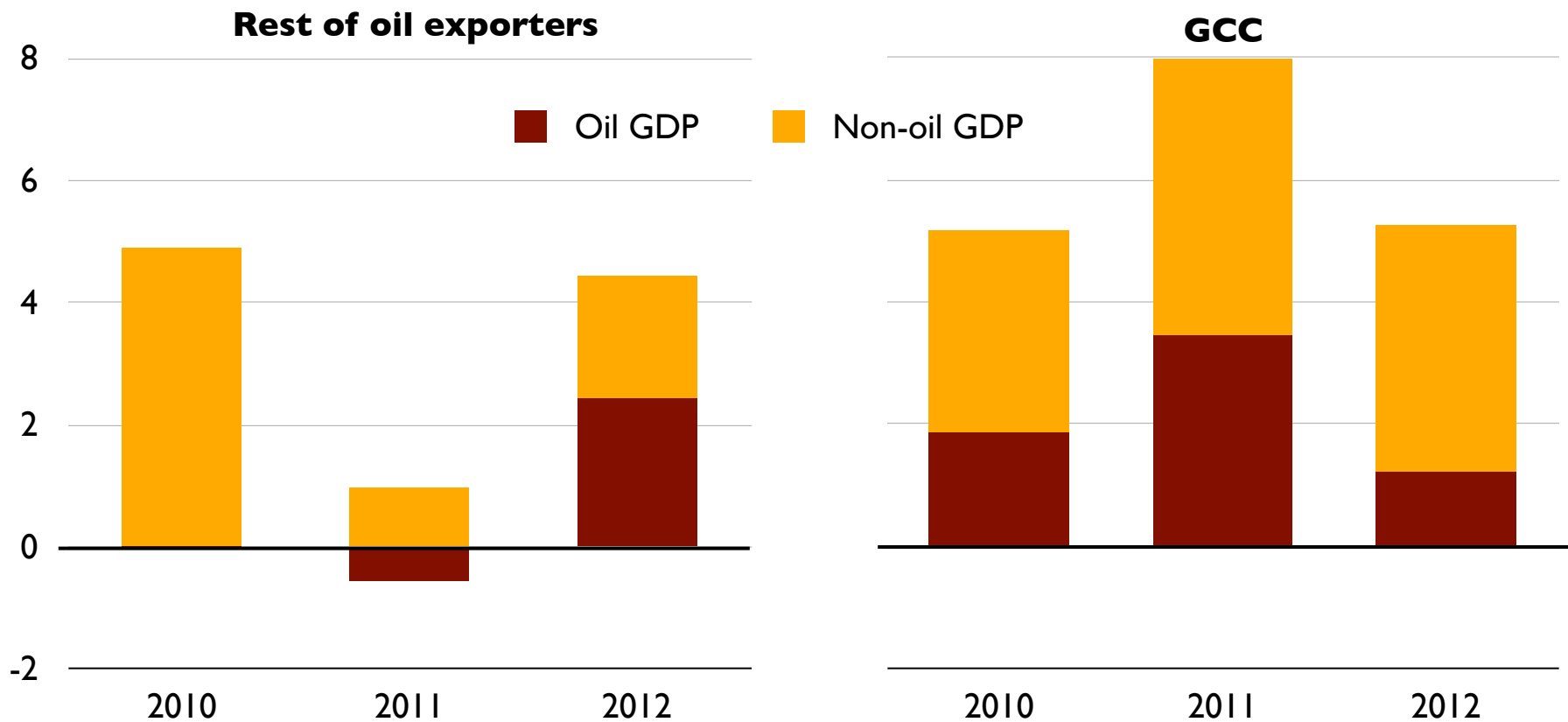
Sources: National authorities; and IMF staff calculations.



Non-oil GDP drives growth

Contribution to real GDP growth

Percent



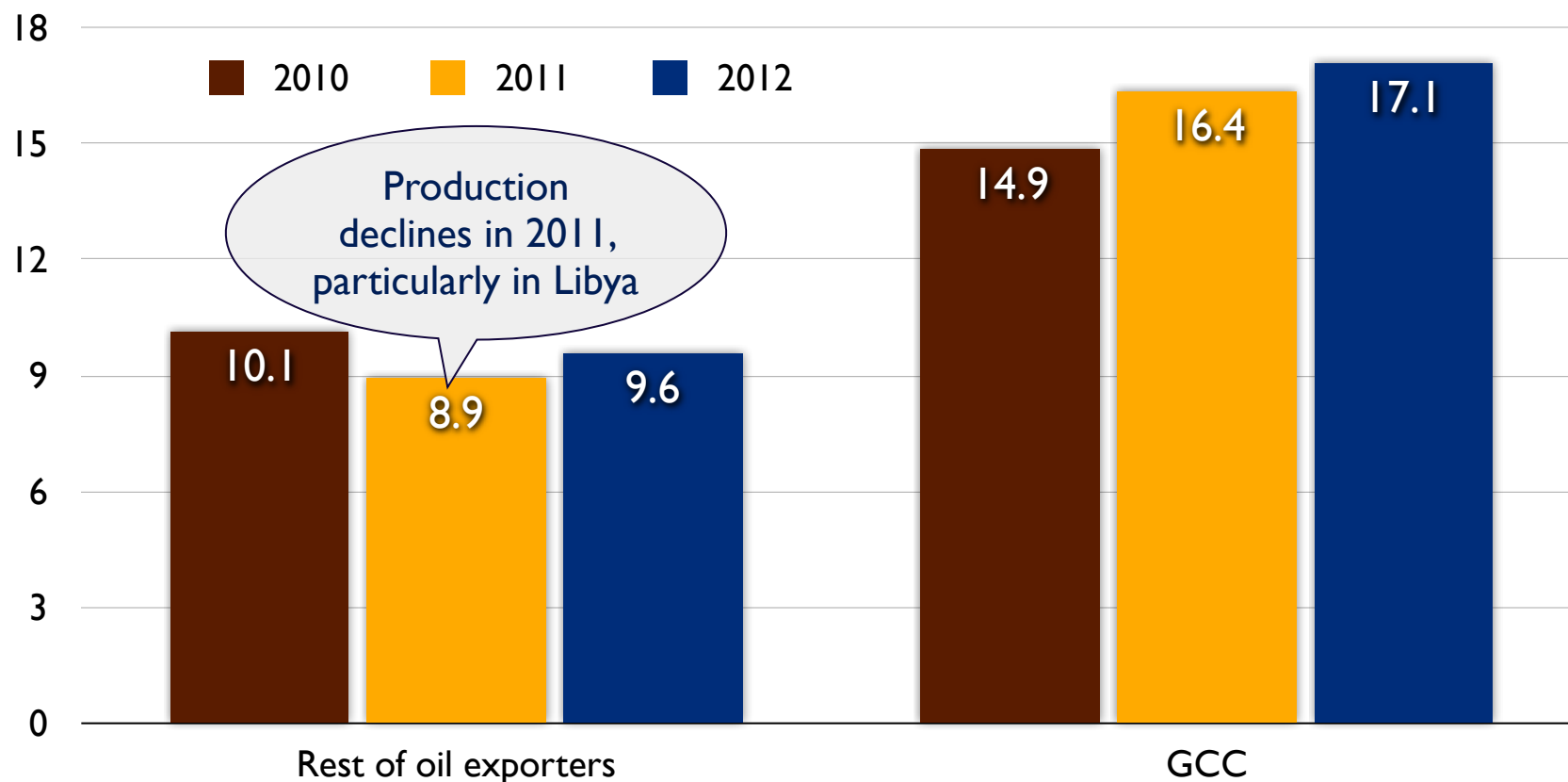
Sources: National authorities; and IMF staff calculations.



GCC compensating for production declines elsewhere

Oil production

Millions of barrels per day



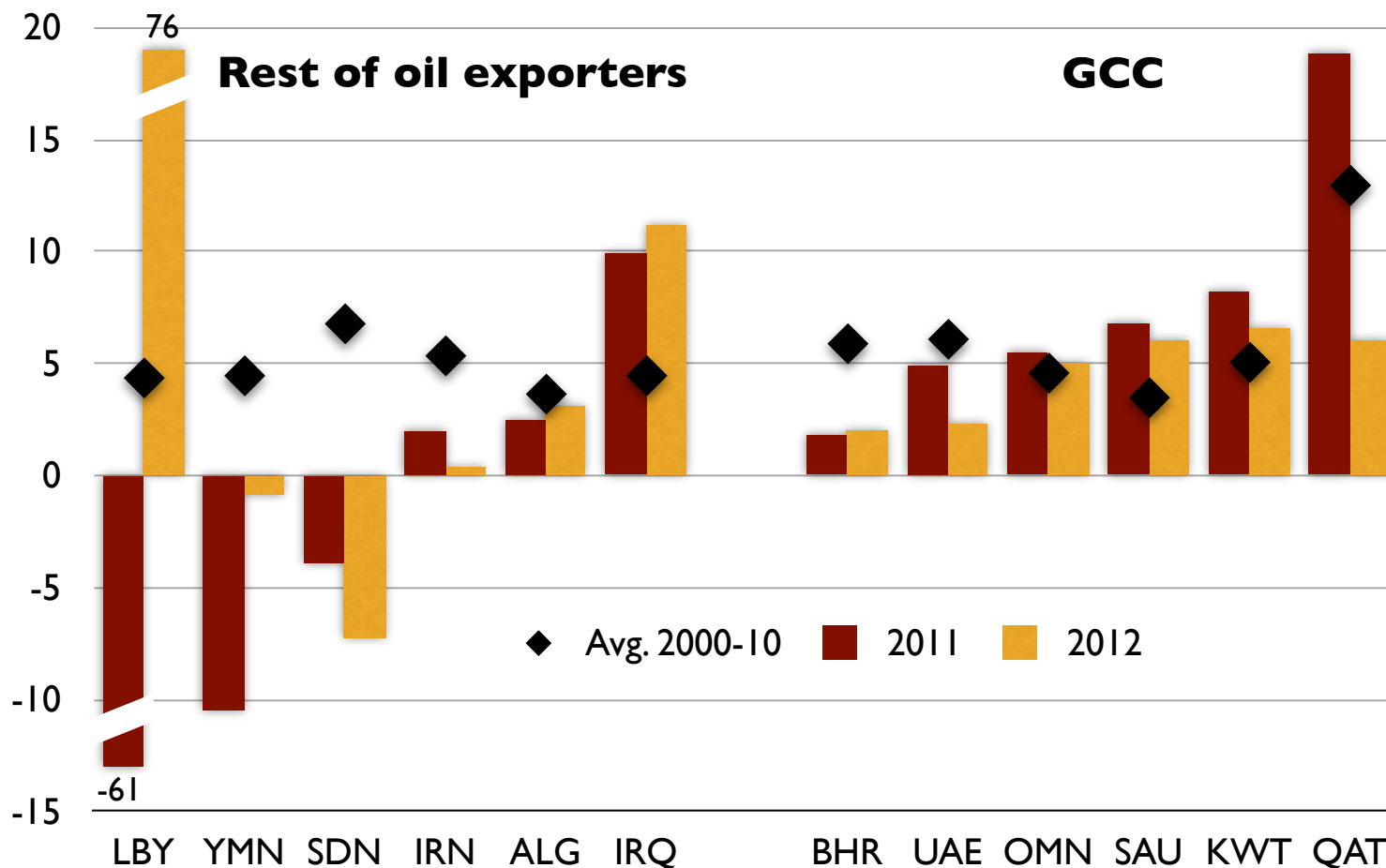
Sources: National authorities; and IMF staff calculations.



Political change affected oil exporters' growth paths

Real GDP growth

Percent



Sources: National authorities; and IMF staff calculations.

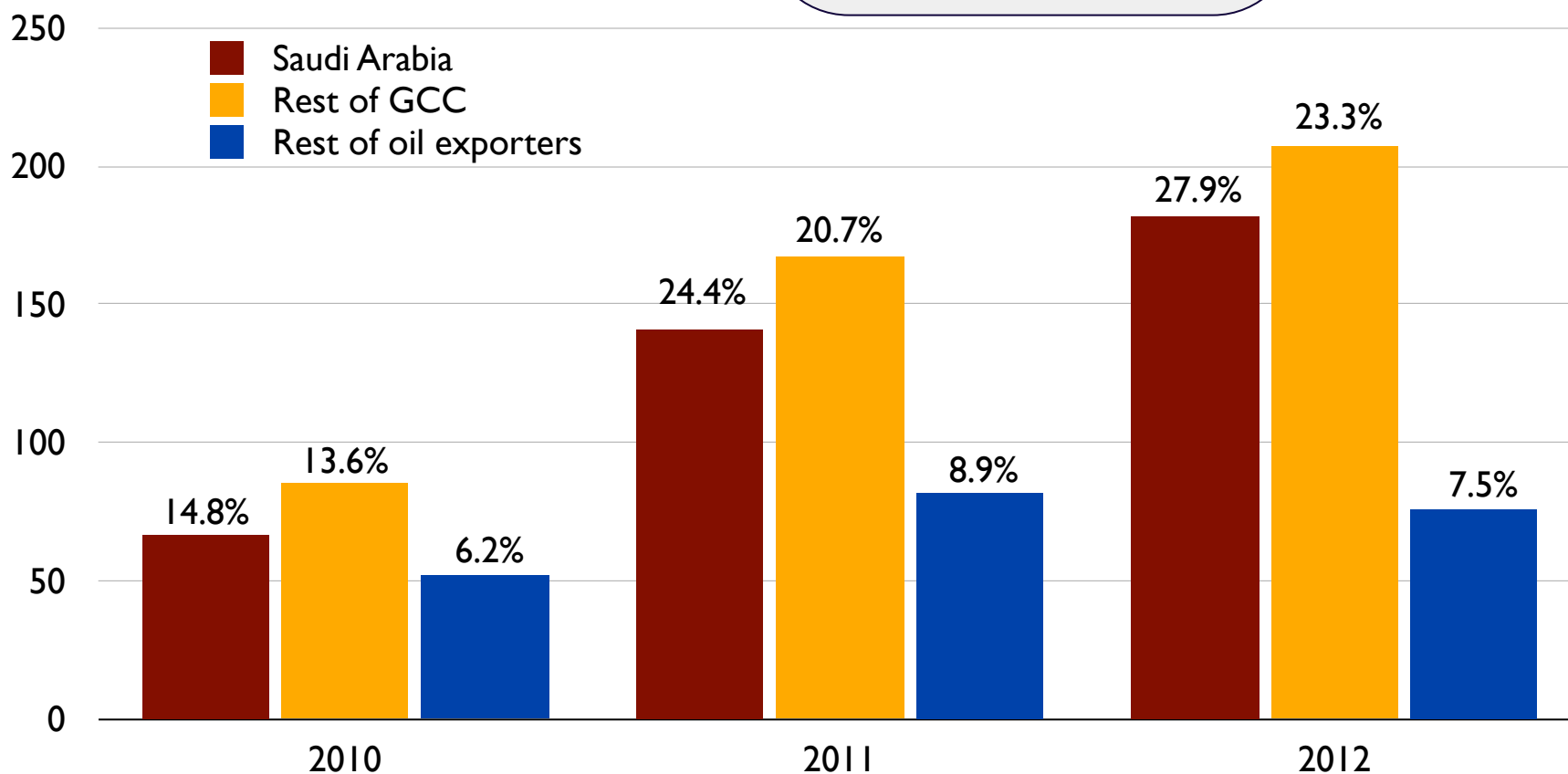


Current account surpluses to keep growing

Current account balance

Billions of U.S. dollars and percent of GDP

Surpluses have allowed a build-up of gross reserves to over \$1 trillion



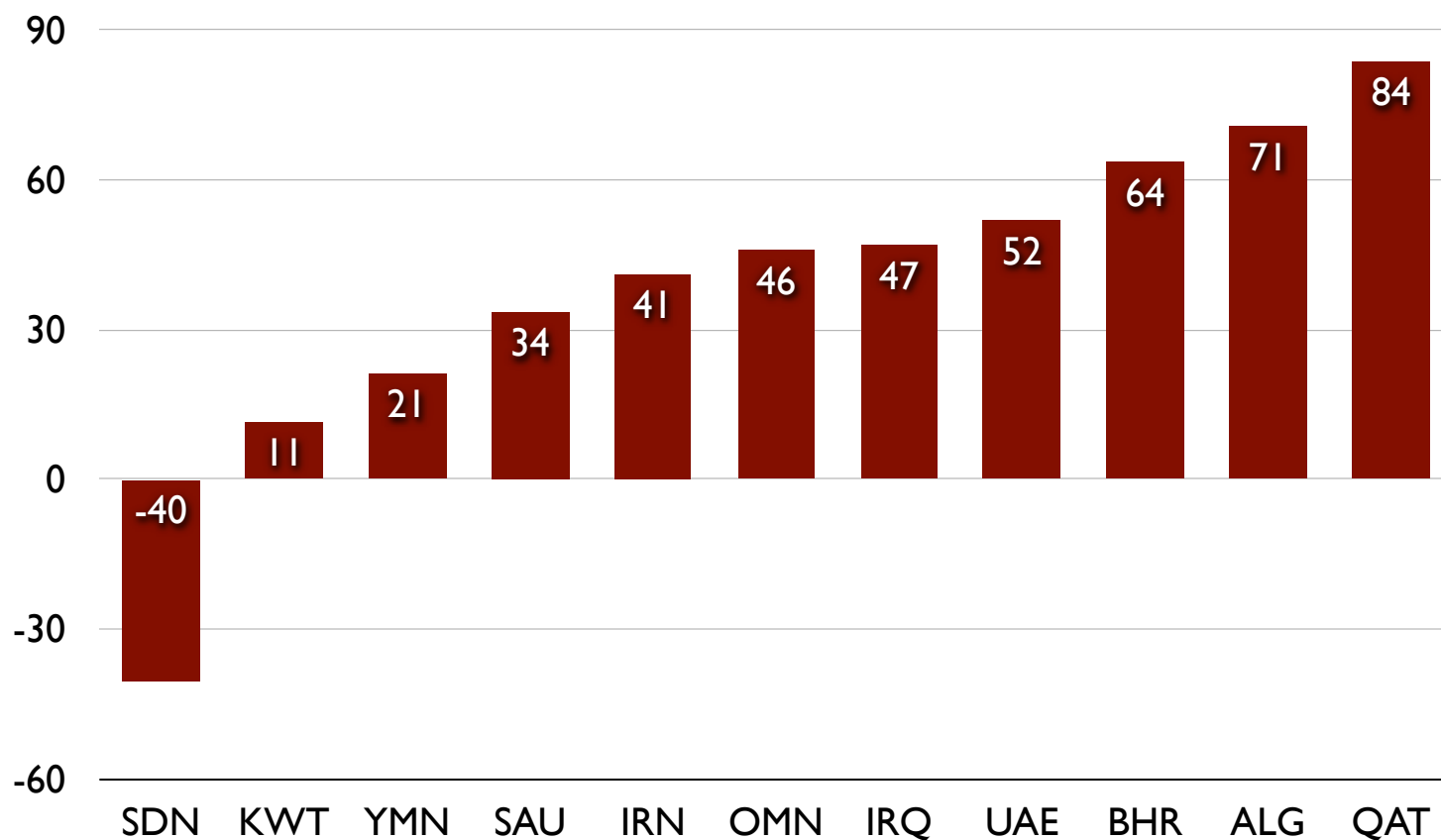
Sources: National authorities; and IMF staff calculations.



Government spending rose fast

Total government expenditures

2008 to 2012, percent change in expenditure in U.S. dollars

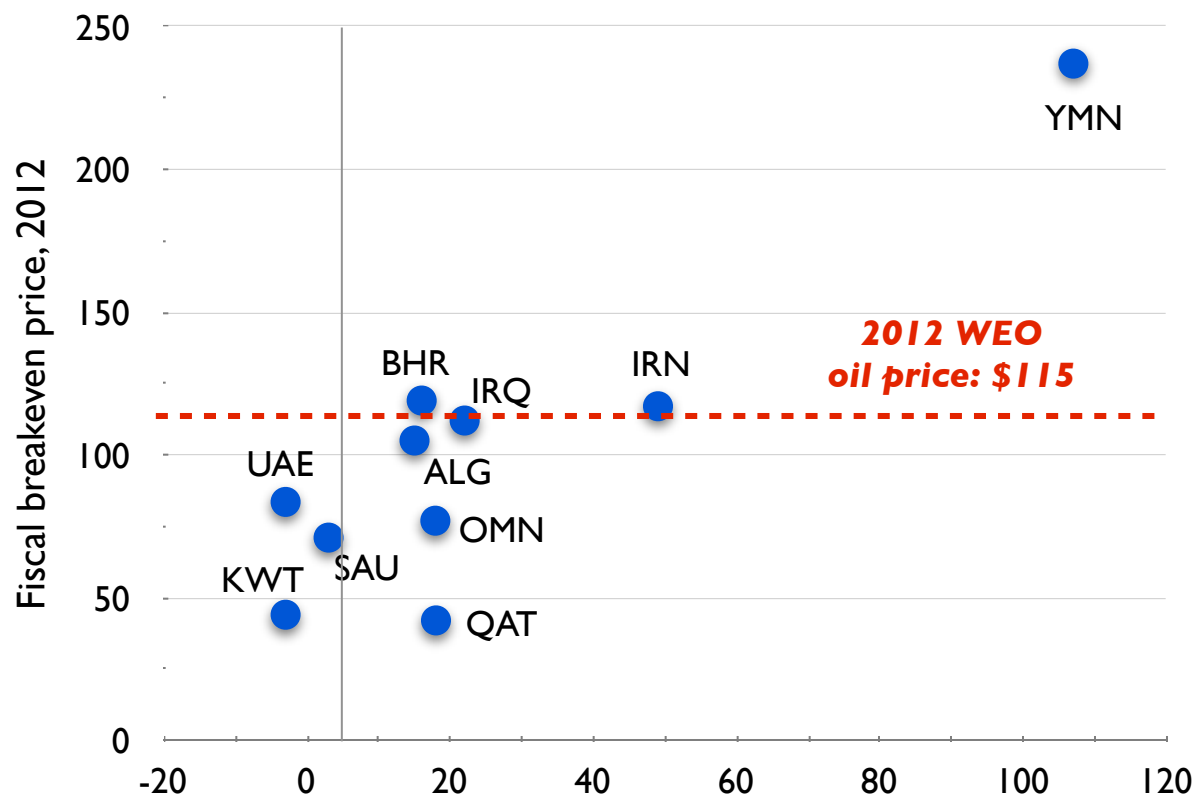


Sources: National authorities; and IMF staff calculations.



Fiscal breakeven oil prices have increased to new highs

U.S. dollars per barrel



Change in fiscal breakeven price, 2010-12

Sources: National authorities; and IMF staff calculations.

Fiscal breakeven oil price, 2012

	U.S. dollars per barrel
Algeria	105
Bahrain	119
Iran	117
Iraq	112
Kuwait	44
Libya	117
Oman	77
Qatar	42
Saudi Arabia	71
United Arab Emirates	84
Yemen	237





Conclusion

1. For oil importers, the impact of domestic unrest in 2011 was exacerbated by external and regional shocks
 - ❖ Policy buffers reduced
 - ❖ 2012 (and 2013) will be as challenging and countries have significant fiscal and external financing needs
2. For oil exporters, buoyant global demand for oil has supported growth and raised external surpluses
 - ❖ Some of the smaller countries, nonetheless, need to restore fiscal sustainability
3. Countries need to generate broad consensus behind comprehensive medium-term reform agendas that foster inclusive growth and generate jobs
4. IMF engaged to assist countries with advice and, if requested, with financing



The screenshot shows a web browser window with the URL www.imf.org/external/pubs/ft/reo/2012/mcd/eng/mreo0412.htm. The page header features the International Monetary Fund logo and navigation links: Home, About the IMF, Research, Country Info, News, Videos, Data and Statistics, and Publications. A search bar is also present. The main content area displays the title 'Regional Economic Outlook Update: Middle East and Central Asia' under the heading 'WORLD ECONOMIC AND FINANCIAL SURVEYS'. The date is 'April 2012' and the copyright is '©2012 International Monetary Fund'. A sub-heading reads 'Middle East and North Africa: Historic Transitions under Strain'. Below this, there are language options: 'Read report in English عربي Français'. The main text begins with 'The Middle East and North Africa (MENA) region is going through a period of unprecedented change. In the 'Arab Spring' countries, political transition, pressing social demands, and an adverse external environment have combined to increase the near-term risks to macroeconomic stability. These risks were contained during 2011 but, with growth faltering, unemployment rising, and continued fiscal and external pressures, 2012 will be an equally challenging year. Moreover, many countries are faced with diminished policy...'. On the left side, there is a sidebar with a 'Regional Economic Outlook' banner for 'Middle East and Central Asia' and 'UPDATE', and a 'REO Statistical Appendix' section with a bar chart and the IMF logo.

To access the full report online or to provide comments, please visit:
<http://www.imf.org/external/pubs/ft/reo/2012/mcd/eng/mreo0412.htm>

or go to

<http://www.imf.org>

and click on the link for Regional Economic Outlook