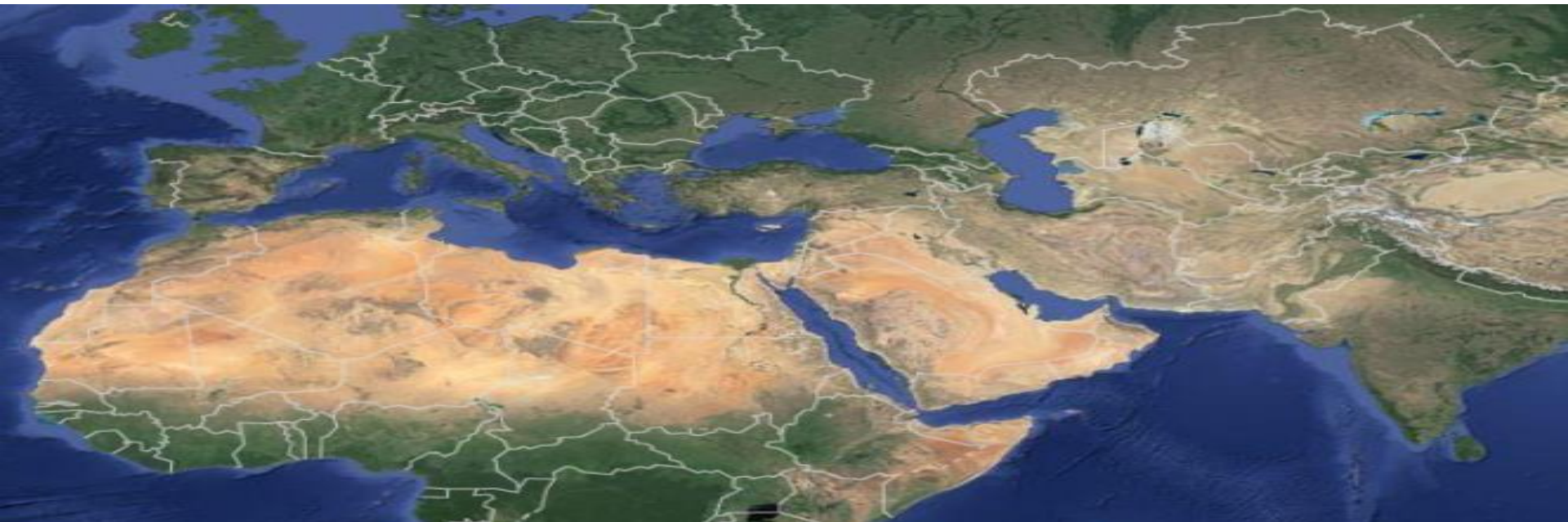


Middle East and Central Asia Regional Economic Outlook



May 2, 2018



Outline



Outlook



What Next?



The Way Forward



Takeaways



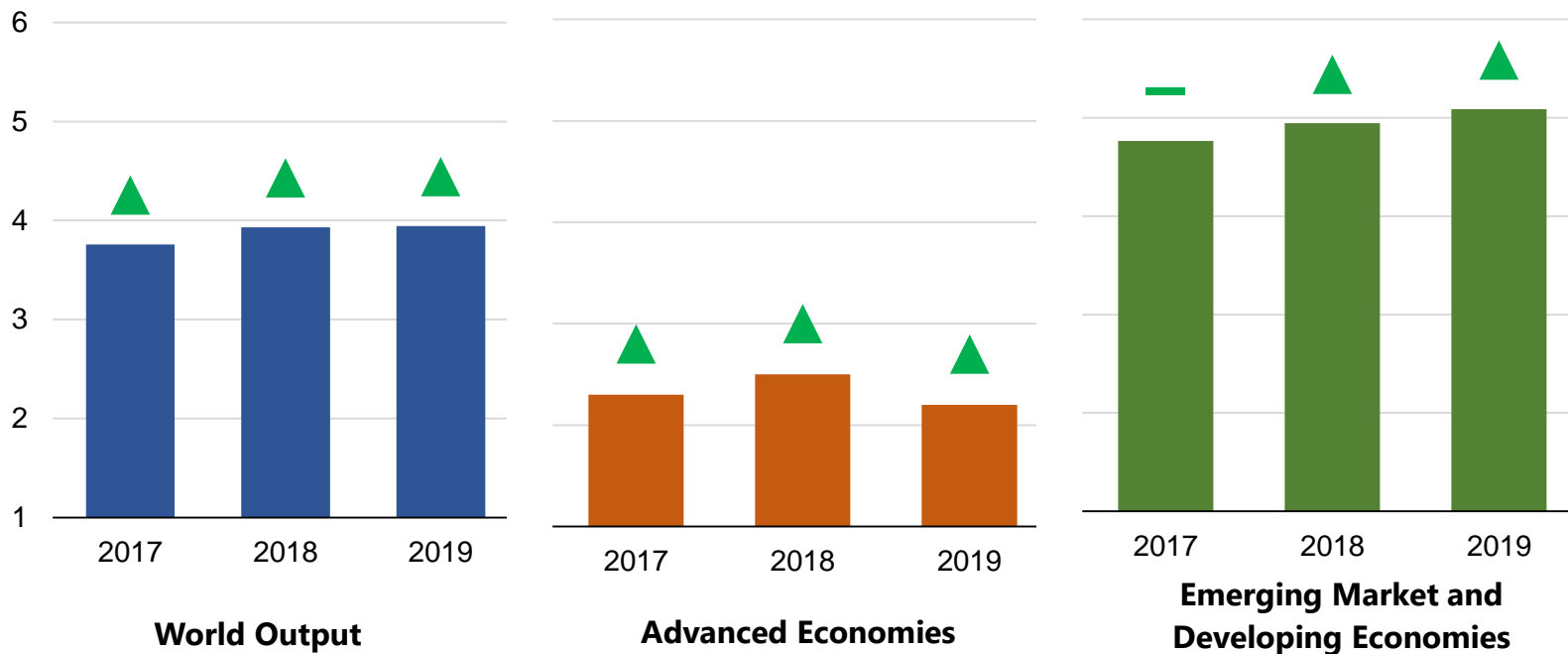
Outlook: *From Global to Regional*



The broad-based global recovery continues

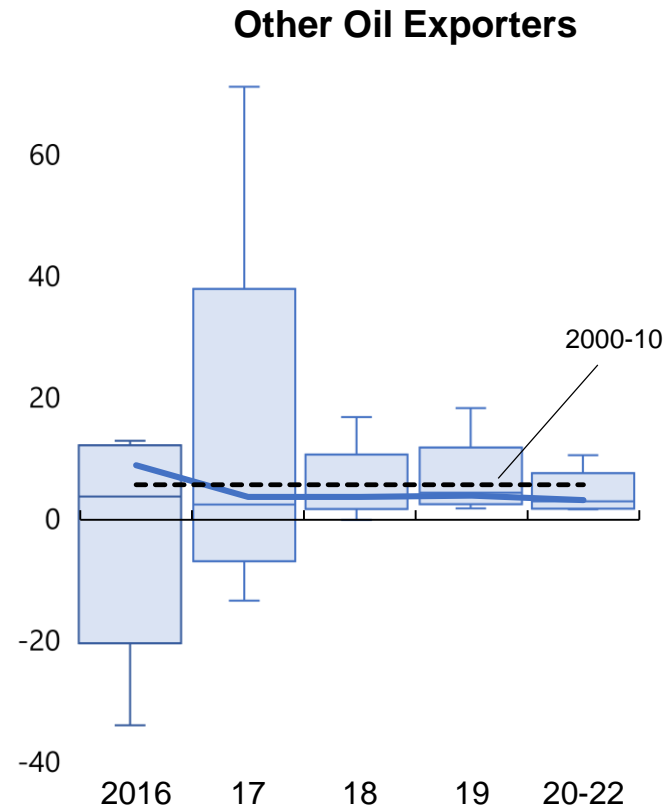
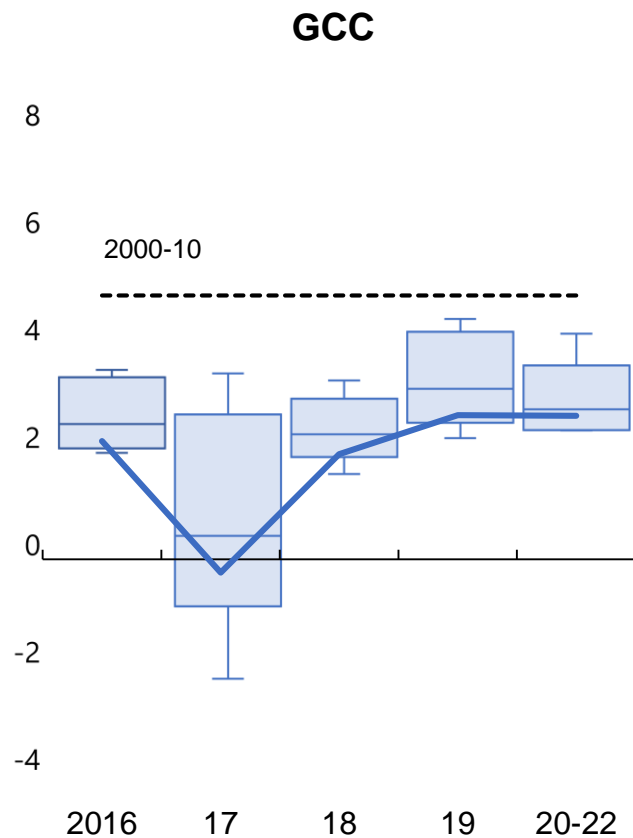
Global Growth Developments

(Arrows represent direction of revision since Oct. 2017 WEO)



Growth recovering in oil-exporting countries

Real GDP Growth
(Percent)

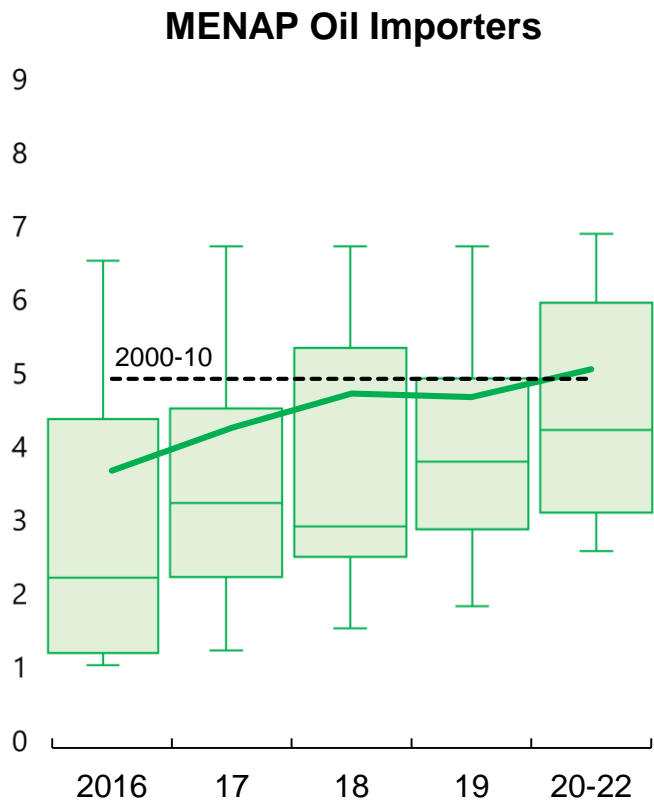


— Median □ Inter-quartile range T Range

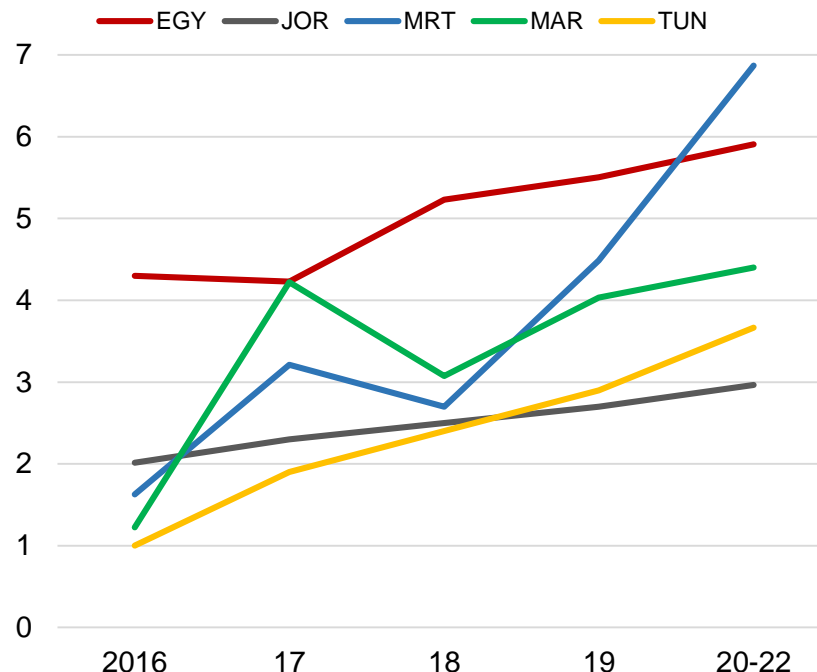


Continuing, but fragile, growth recovery in oil-importing countries

Real GDP Growth
(Percent)



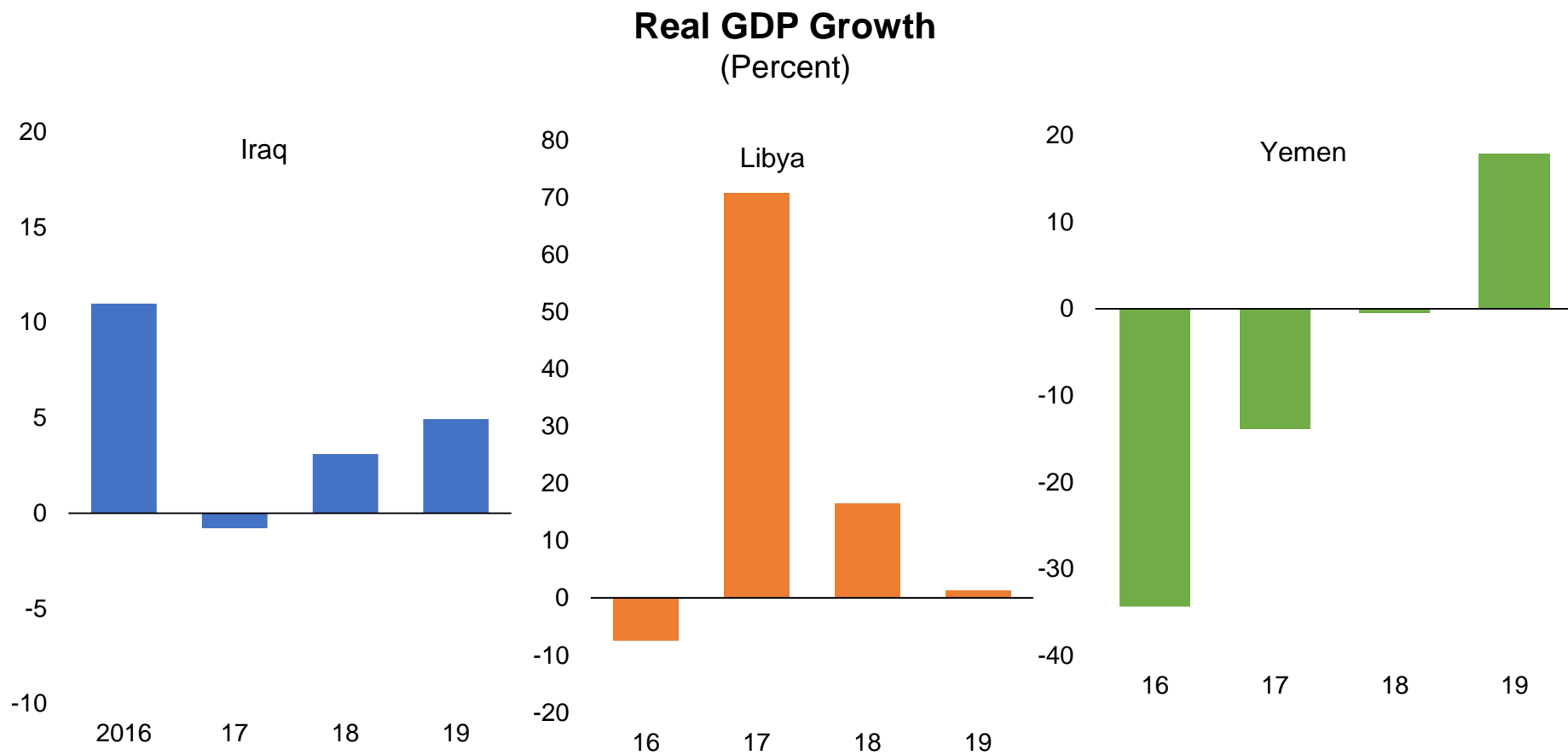
MENAP Oil Importers with IMF Programs



— Median □ Inter-quartile range T Range



Developments in conflict countries remain volatile

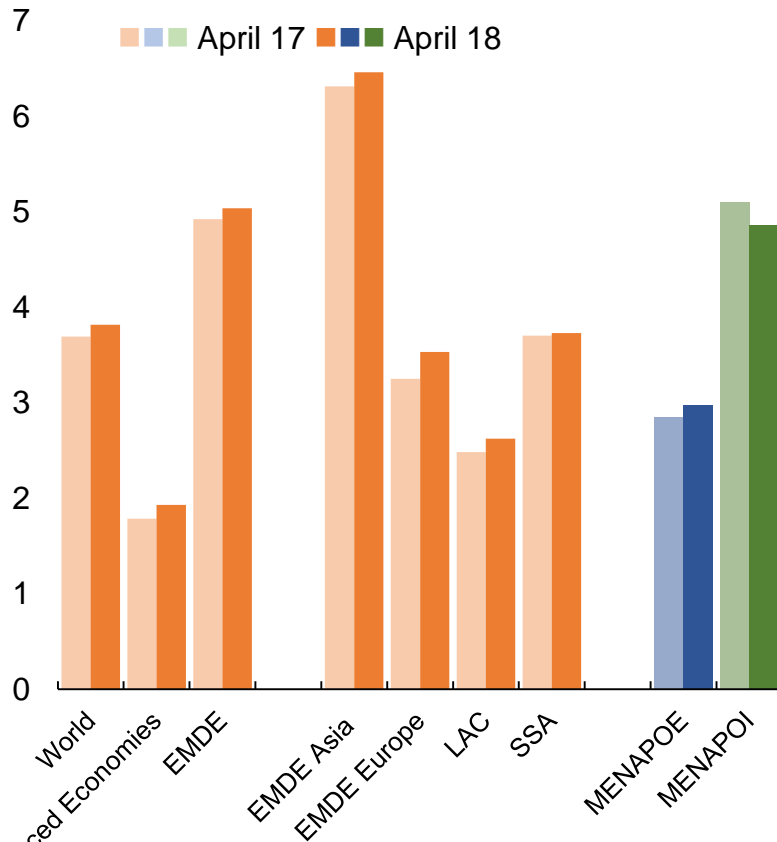


Sources: National authorities and IMF staff calculations.

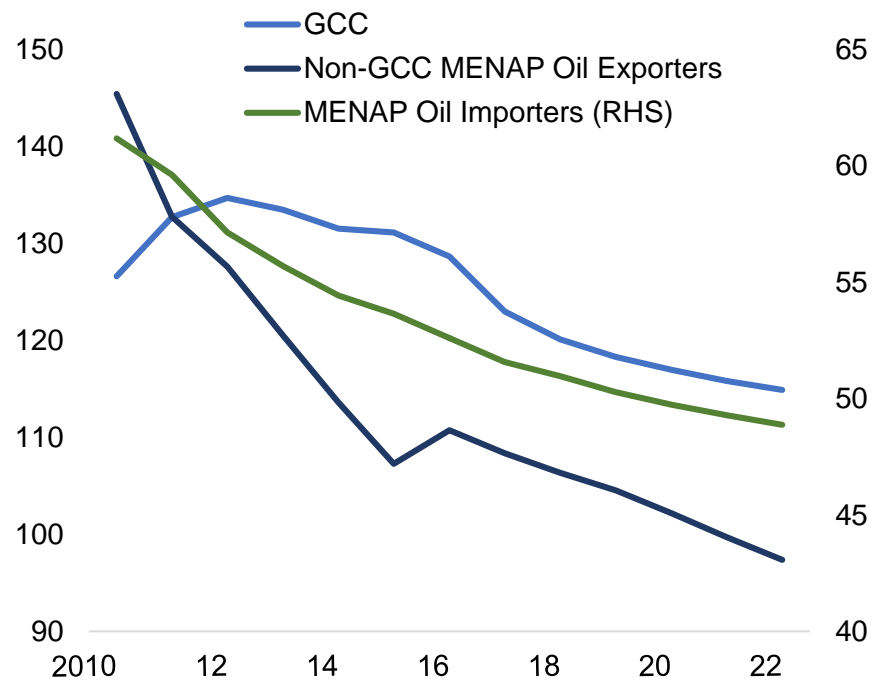


The region is not fully benefitting from the favorable global growth upswing...

2018-22 Average Growth
(Real GDP Growth, in percent)



GDP per Capita Relative to Peers¹
(In Percent)



¹Per capita GDP for GCC countries is shown relative to Advanced Economies; for the other country groups it is shown relative to Emerging Market and Developing Economies.



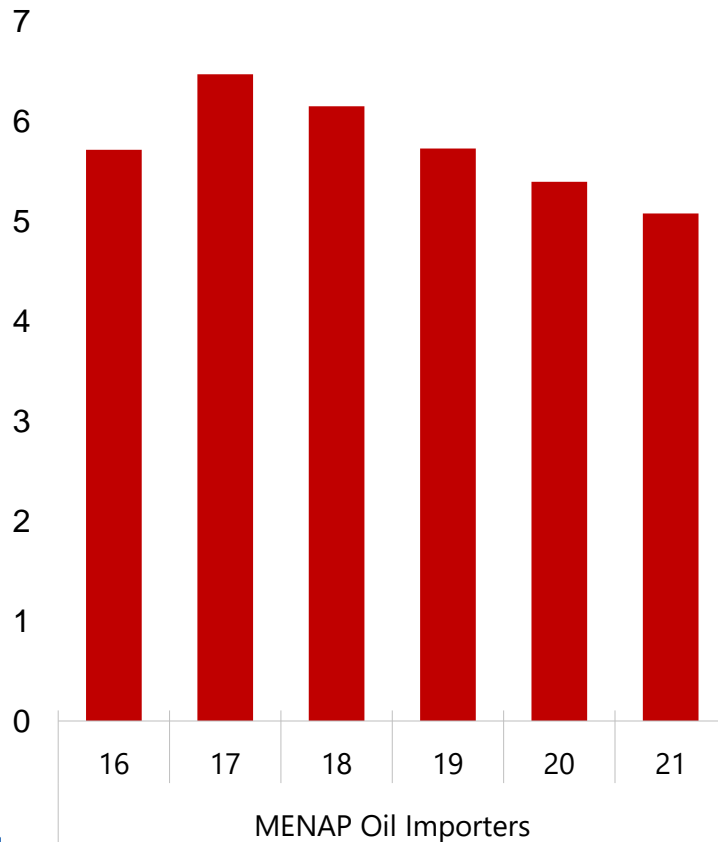
What Next?

Strengthen Growth and Resilience

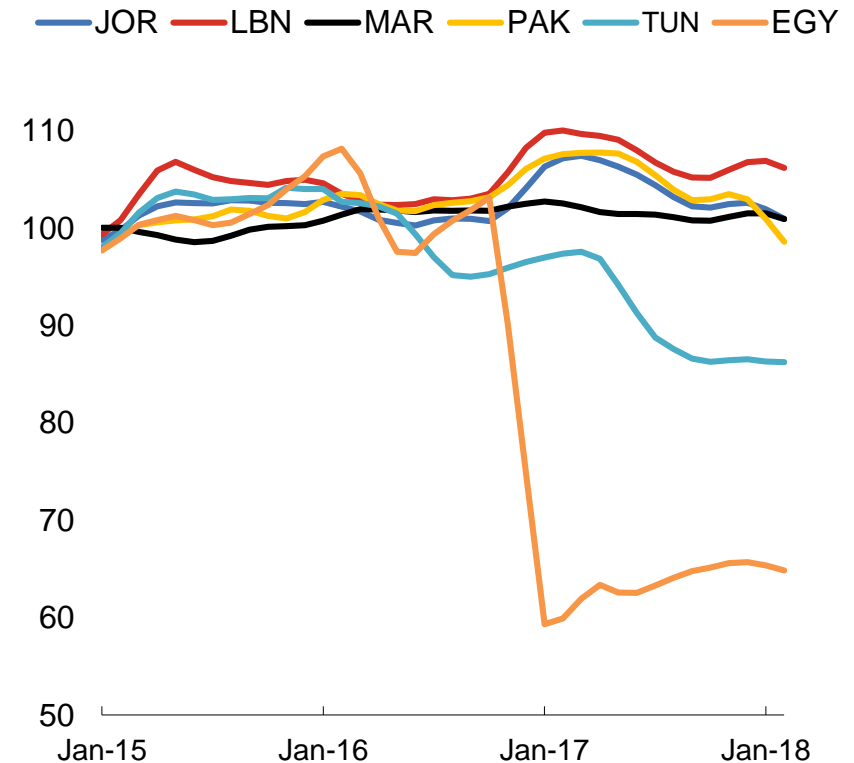


External demand and some gains in competitiveness are supporting factors

Current Account Deficit
(Percent of GDP)

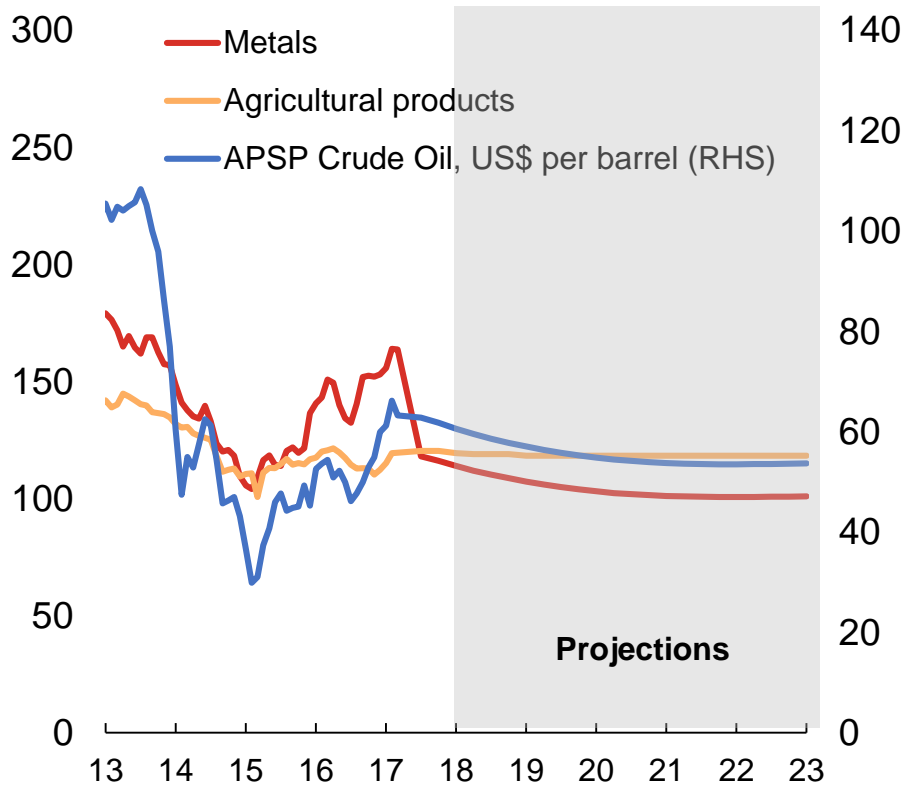


Real Effective Exchange Rates
(Three-month moving average, index 2015=100)

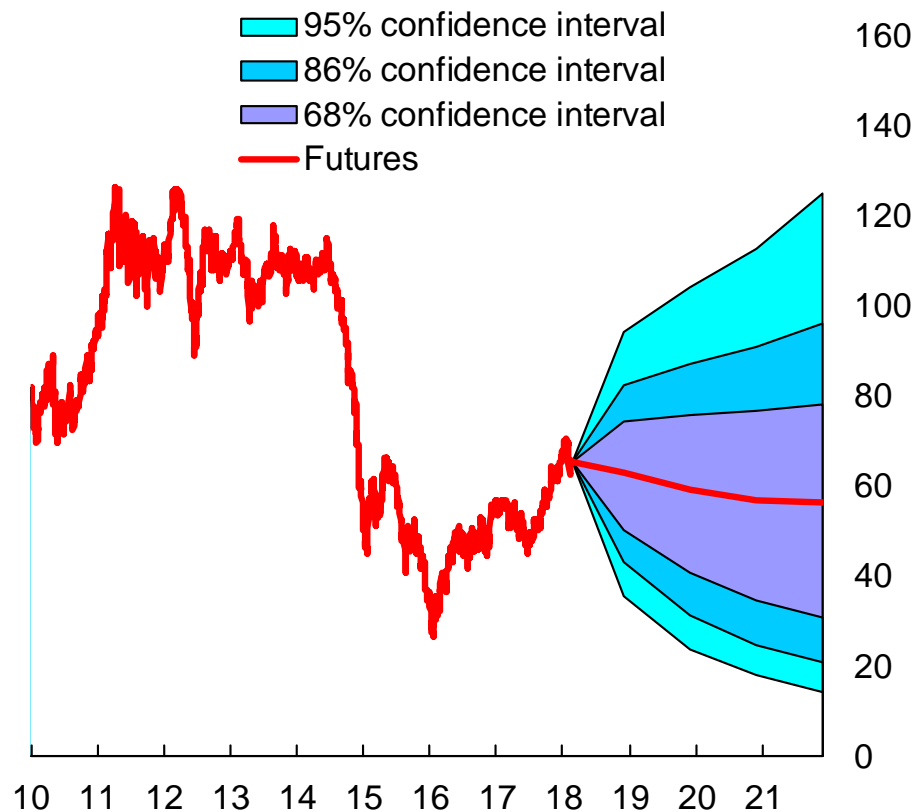


The outlook for oil prices remains uncertain, weighing on the growth of oil exporters

Commodities Prices
(Price index, 2005 = 100)

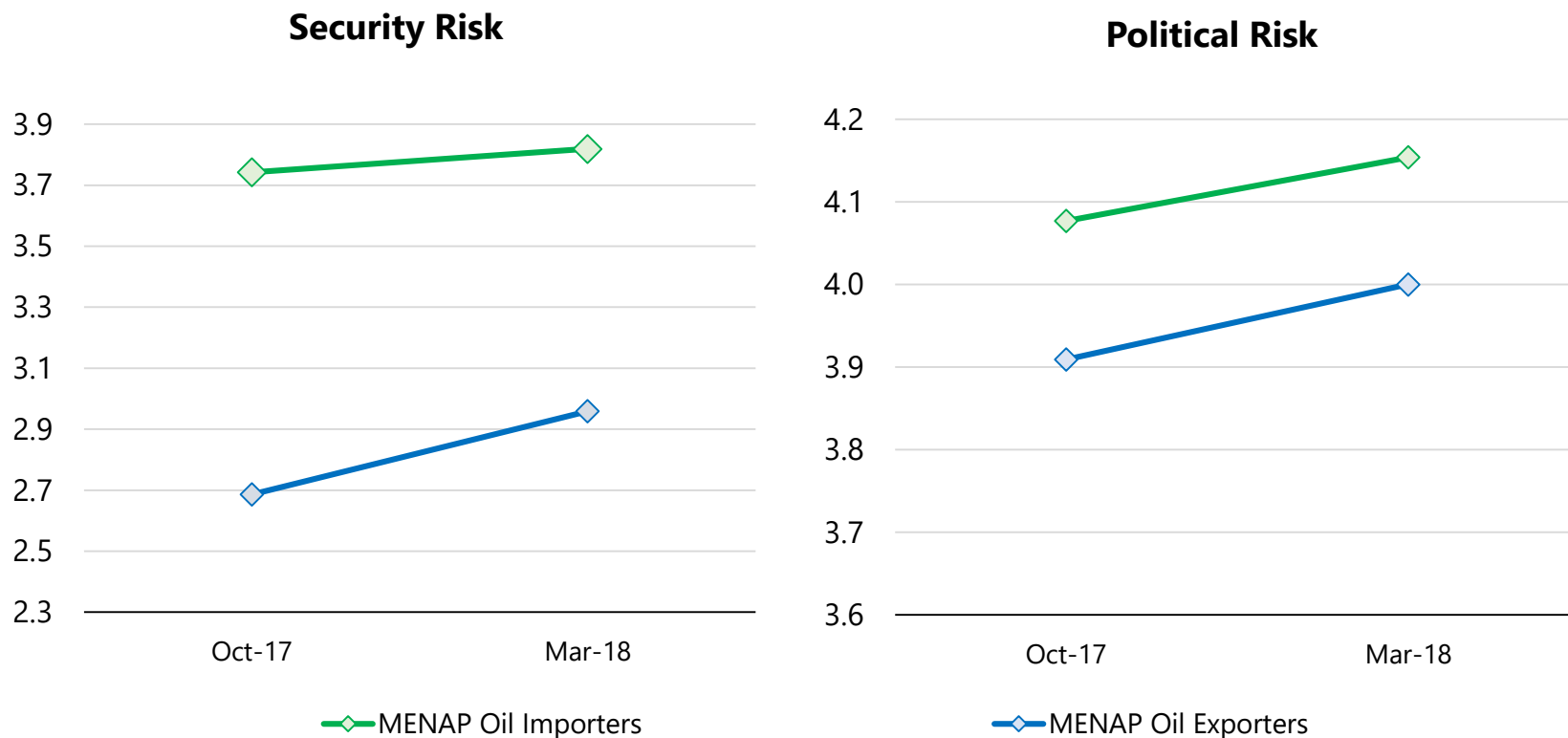


Brent Crude Oil
(U.S. dollars a barrel)



Geopolitical tensions remain a drag on growth in MENAP

The Economist Intelligence Unit's Security and Political Risk Index
(Index 1-5, from lowest to highest)

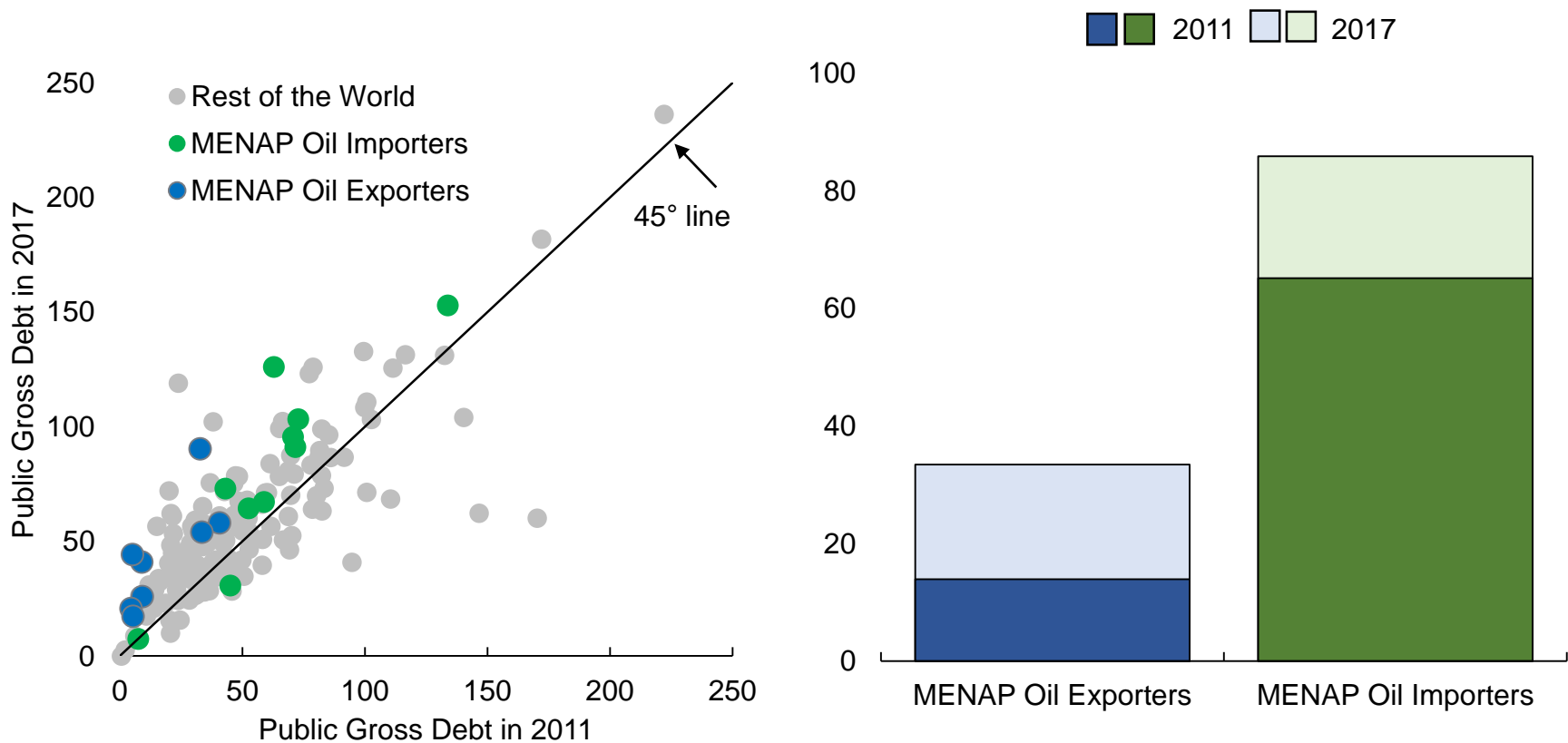


Source: Economist Intelligence Unit.
Notes: Index based on the EIU rating of individual countries.



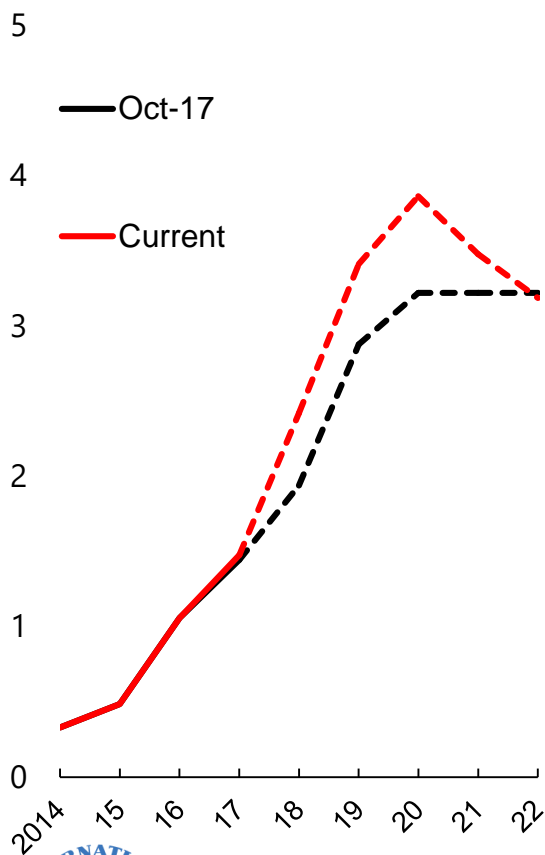
Debt levels increased, limiting scope to use fiscal policy to stimulate growth

Total Public Debt in 2011 vs. 2017
(Percent of GDP)

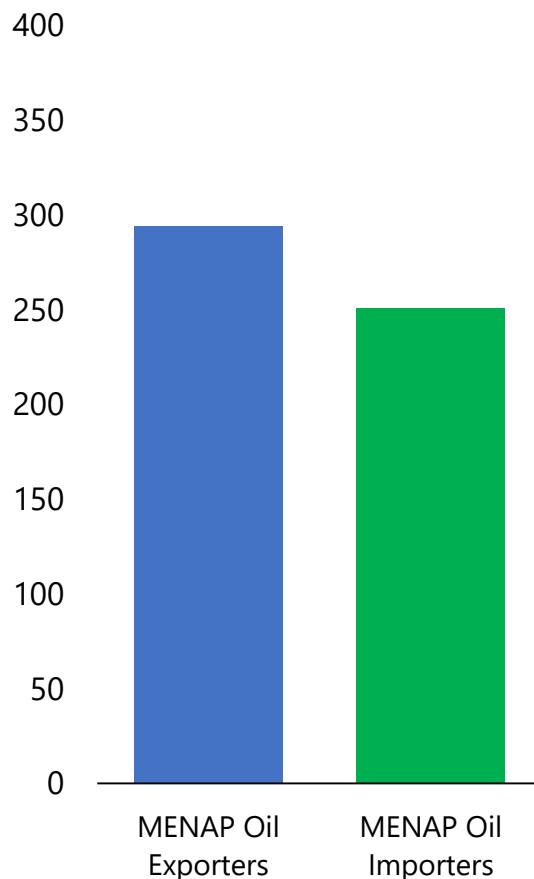


Borrowing conditions could become more challenging

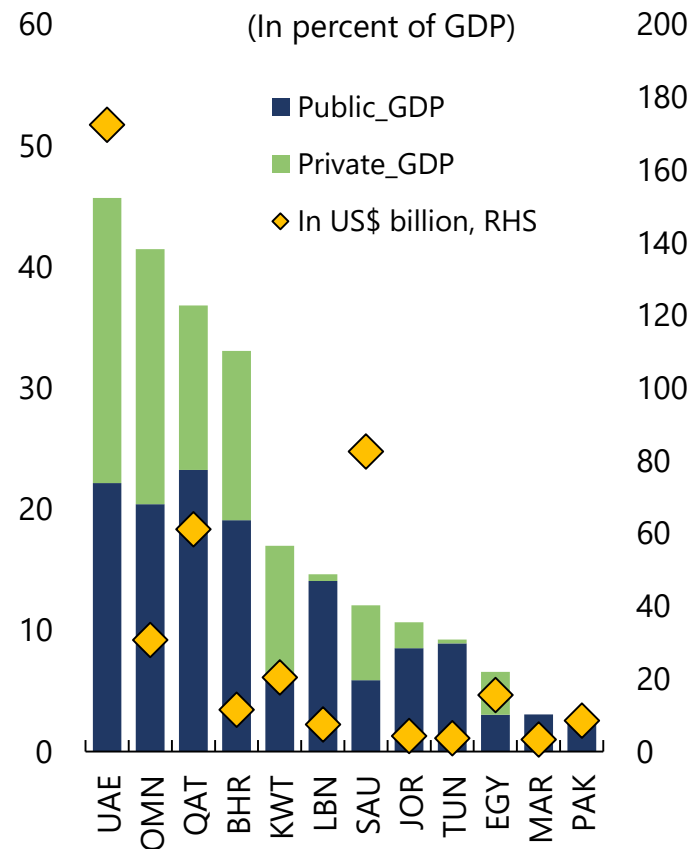
U.S. Libor Interest Rate
(In percent)



Cumulative Fiscal Deficits 2018-22
(Billion, US dollars)



International Debt Maturing in 2018-22
(In percent of GDP)

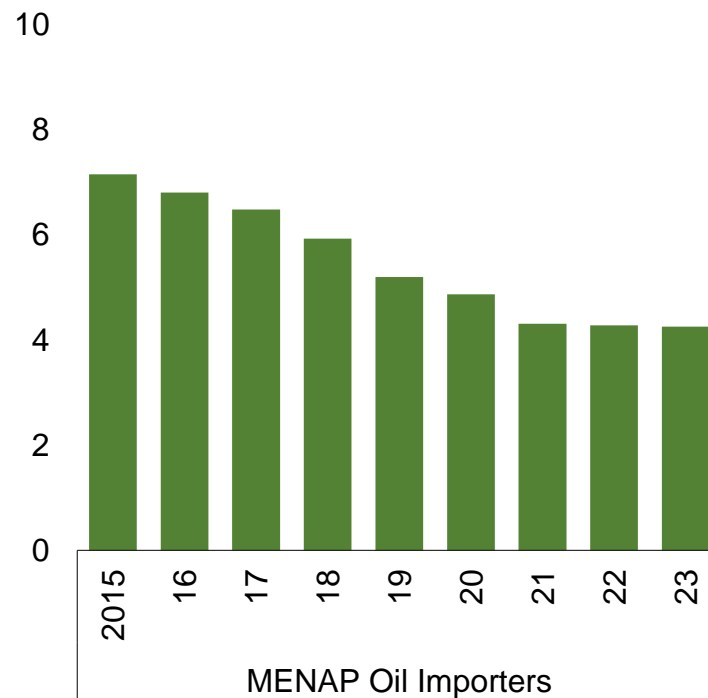
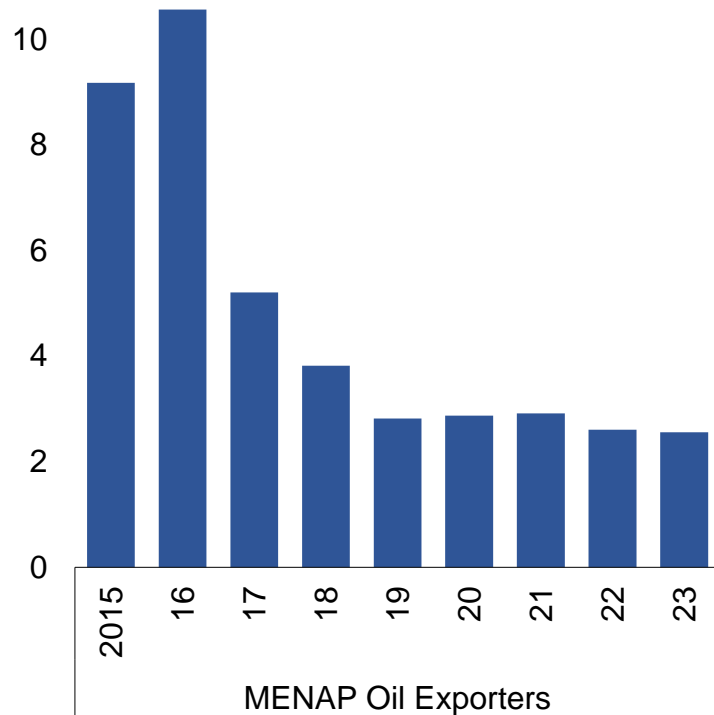


Sources: National authorities, Dealogic, and, IMF staff calculations.



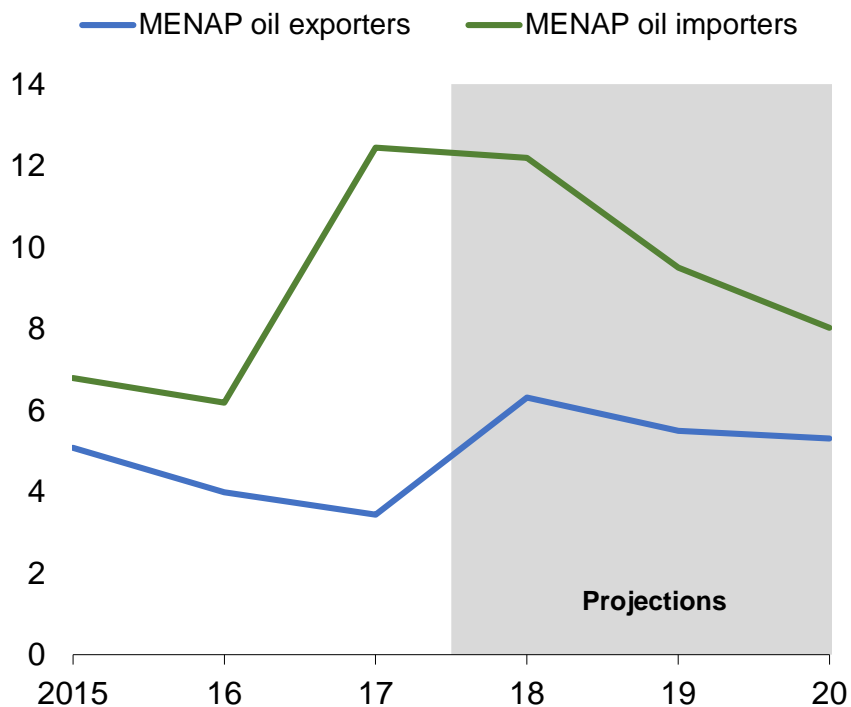
Need to maintain fiscal adjustment, but room to make it more growth-friendly

Fiscal Deficit for MENAP
(In percent of GDP)

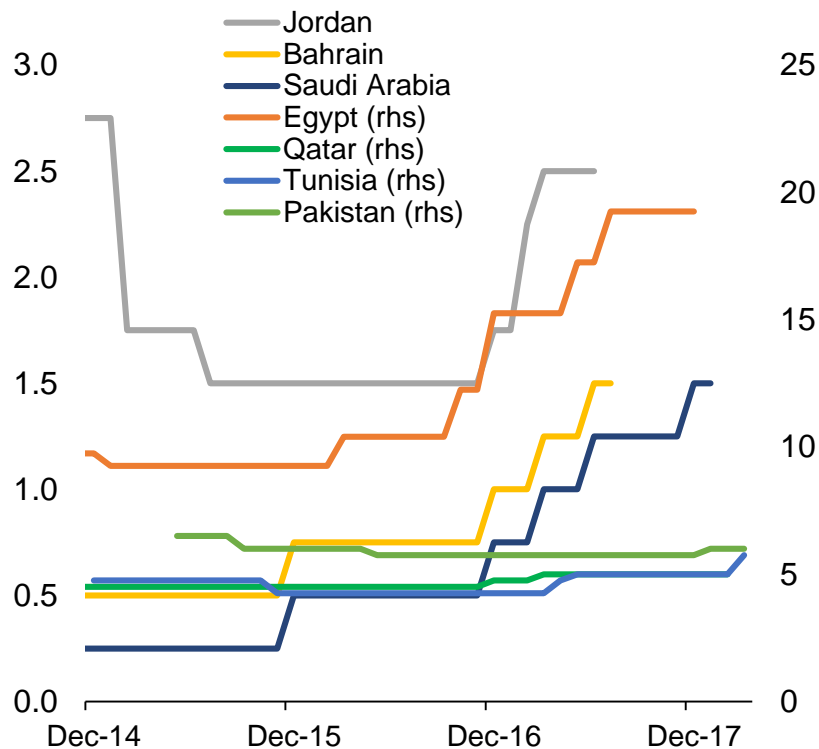


Despite subsiding inflationary pressures, little scope for accommodative monetary policy

Inflationary Pressures Subsiding
(Weighted averages, CPI, percent change, year average)

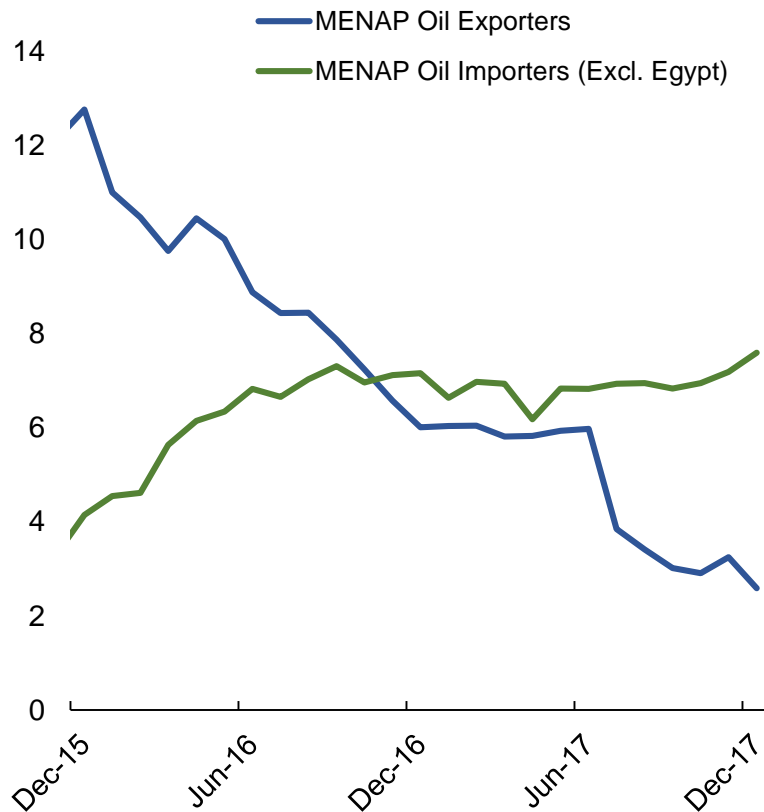


Selected Policy Rates
(Percent)

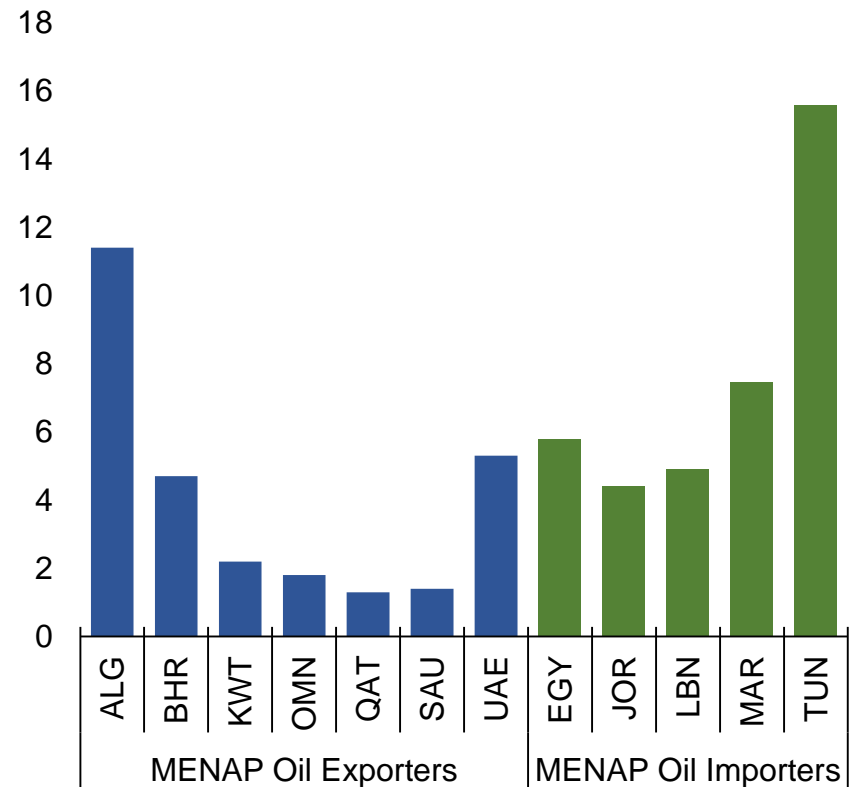


More needs to be done to increase access to finance by the private sector

Private Credit Growth
(Percent, year-over-year)



Non Performing Loans
(Percent of total loans)



Notes: Latest available data for each country.



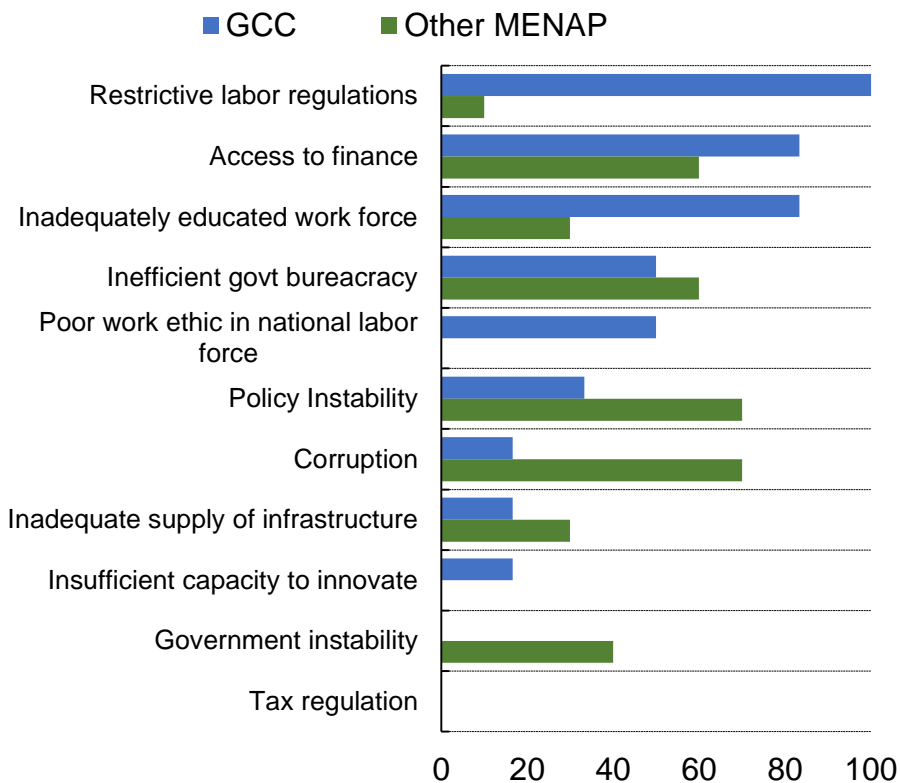
The Way Forward: *Promote Inclusive Growth*



Promote a dynamic private sector by reducing red tape and strengthening institutions

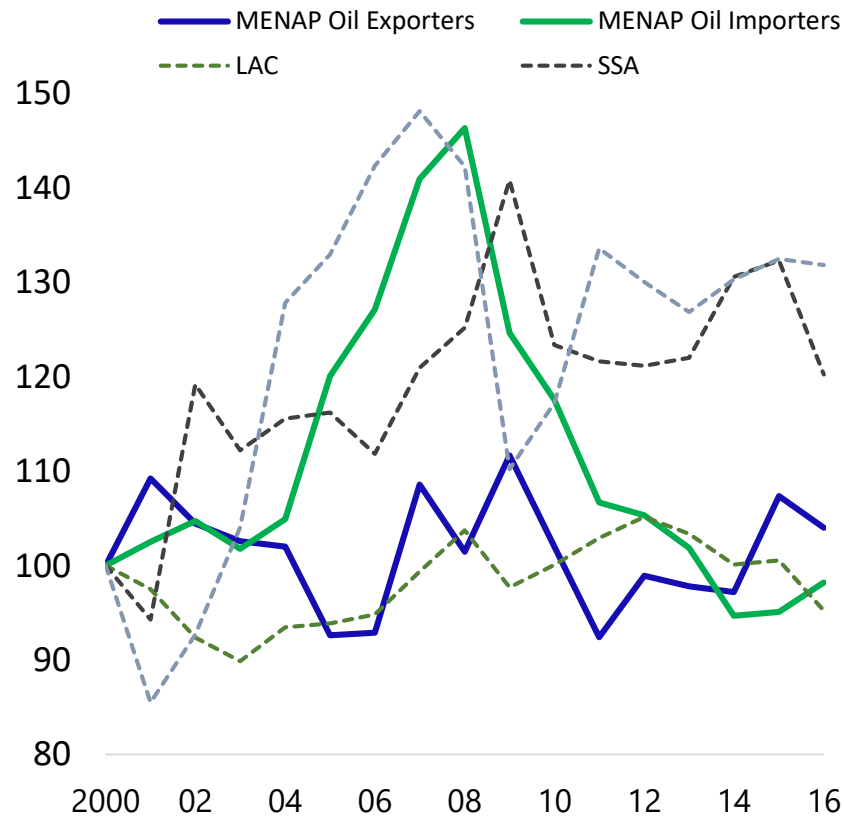
Challenges to Doing Business

(Percent of countries identifying the constraint among the top five)



Private Investment

(Percent of GDP, Index 2000=100)

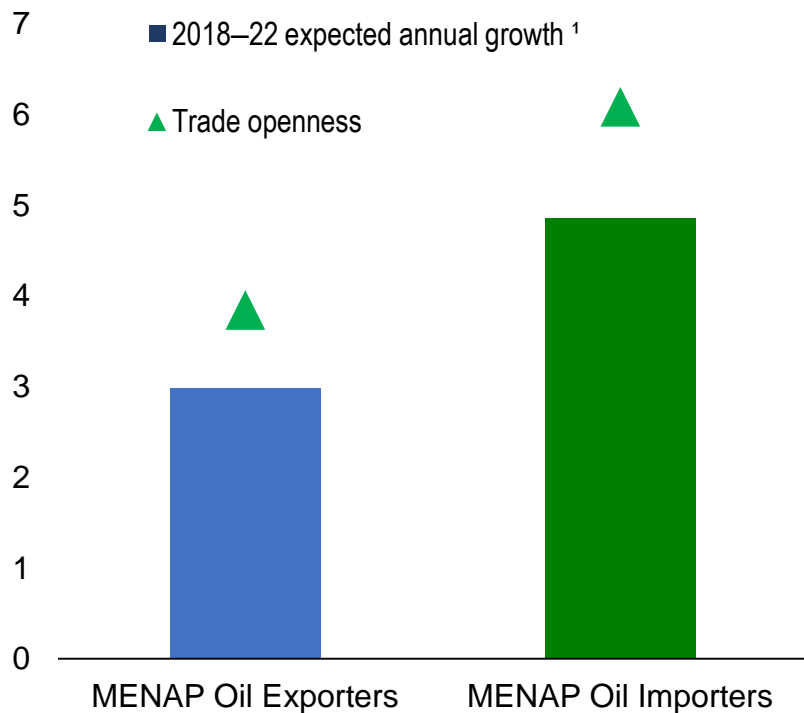


Source: World Economic Forum Competitiveness Report 2017-18,

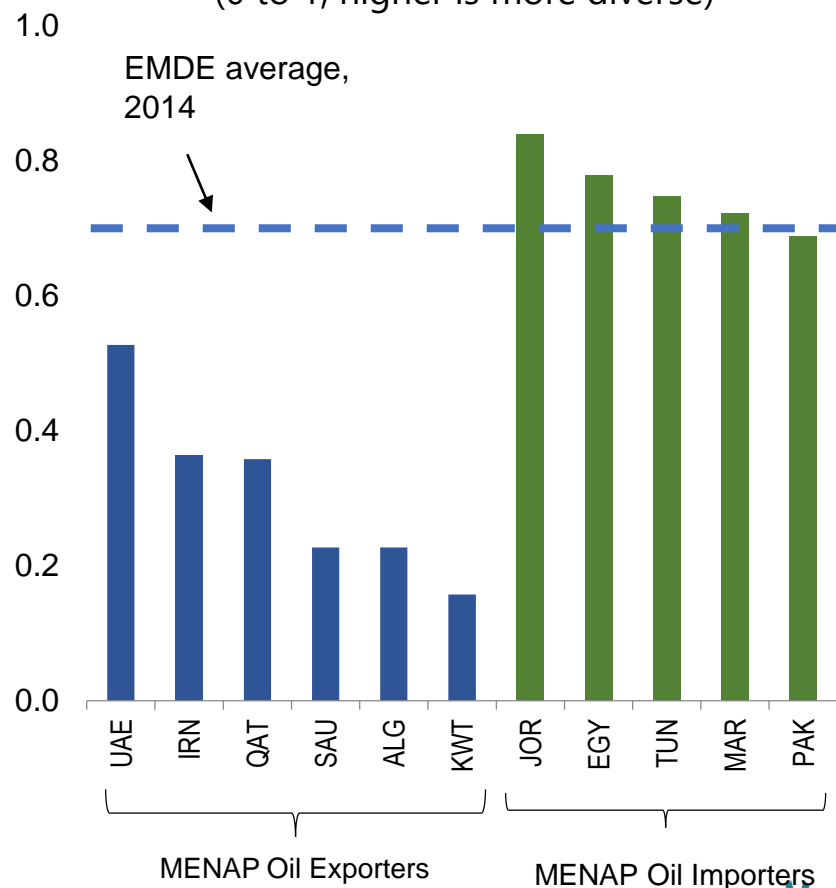


Encourage further opening and diversification to benefit from trade opportunities

Estimated Contributions of Trade Openness to Growth
(Percent)



Export Diversity Index, 2014¹
(0 to 1, higher is more diverse)



Note: see October 2017 *Regional Economic Outlook :Middle East and Central Asia* for discussion.

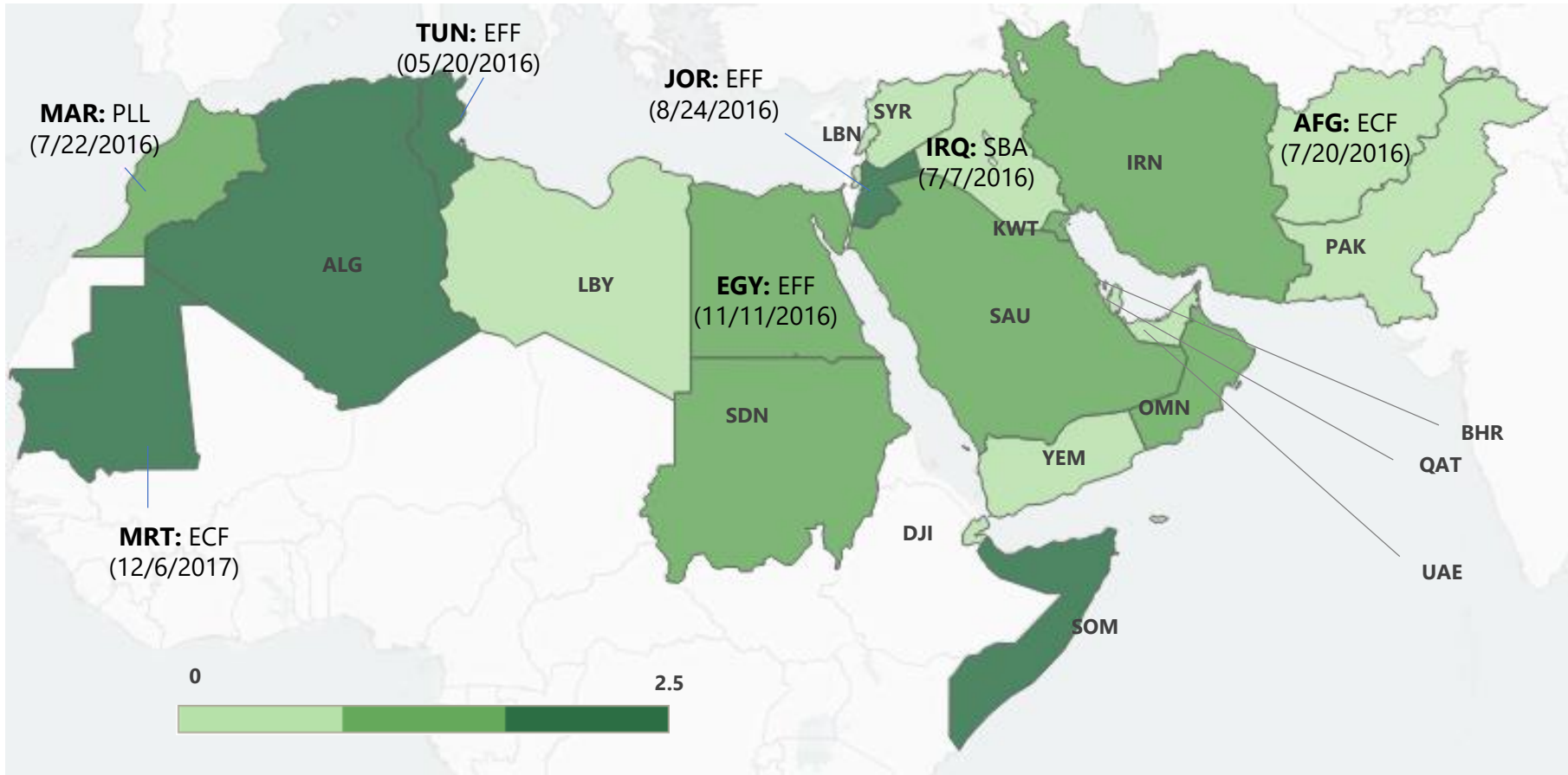


Complement by inclusive policies to ensure growth is shared by all



Fund Engagement

IMF Financial and Technical Assistance



(TA in Person-Years of Field Delivery, 2017)



Takeaways

- MENAP Region needs to make the most of the global recovery to enhance growth and to strengthen fiscal and financial stability
- Further reforms are needed to create jobs and secure sustainable and more inclusive growth
- Policy Recommendations:
 - MENAP OE: Time to accelerate reforms and maintain fiscal consolidation, while accelerating economic diversification strategies
 - MENAP OI: Fragile growth recovery with vulnerabilities remaining, calling for further reforms to secure resilience and job creation

