

Middle East and Central Asia Department
REO Press Conference

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Dubai

Press Remarks, Jihad Azour

Welcome to the launch of the IMF's October 2024 Regional Economic Outlook for the Middle East and North Africa. It's great to be back in Dubai to share our views on the region's economic prospects and policy priorities.

Let me begin with an overview of where things stand.

This year has been challenging, with conflicts causing devastating human suffering and lasting economic damage. The recent escalation in Lebanon has greatly increased uncertainty in the MENA region.

For 2024, we project growth at 2.1%, a downward revision of 0.6 percentage point from our April forecasts, largely due to the impact of the conflicts and prolonged OPEC+ oil production cuts. To the extent that these gradually abate, we anticipate stronger growth of 4% in 2025. However, uncertainty about when these factors will ease is high.

For oil exporters, we project growth to accelerate to 4% in 2025, up from 2.3% this year, but this is contingent on the expiration of voluntary production cuts.

Growth is also set to accelerate in the region's emerging markets, rising from 2.4% this year to 3.8% in 2025, but this projection assumes an easing of conflict. Likewise, stronger growth for low-income countries is heavily reliant on an easing of the conflict in Sudan.

The bottom line is that **the outlook is fraught with risks and hence our forecasts carry important caveats**. It is also important to note that these forecasts, which were finalized around mid-September, **do not** yet reflect the impact of recent developments in the region. We are monitoring the situation and the recent escalation with great concern and are trying to assess the potential economic impact. Overall, the impact will depend on the severity and extent of any potential escalation.

The conflict has the scope to impact the region through multiple channels. Beyond the impact on output, other key transmission channels include tourism, trade, potential refugee and migration flows, oil and gas markets, environmental damage, financial markets, and potential social unrest.

Concern is also high about the possibility of a prolonged conflict in Sudan, increased geoeconomic fragmentation, volatility in commodity prices (especially for oil exporters), high debt and financing needs in emerging markets, and recurring climate shocks. Additionally, failure to implement adequate reforms could constrain already-muted medium-term growth prospects.

In this uncertain environment, policy prioritization is essential.

Policymakers face the difficult task of safeguarding macroeconomic stability and debt sustainability while managing conflict-related challenges and improving medium-term growth prospects.

Accelerating reforms is essential to enhance resilience to shocks while also boosting medium-term growth. Priority areas include governance improvements, job creation—especially for women and youth—investment promotion, and financial development.

Reducing trade barriers, diversifying markets, and investing in infrastructure are also vital for economic resilience, alongside improving competition in the financial sector to increase private sector credit.

Our research on financial development, included in the REO published today, finds that reforms to boost competition in the banking sector—reducing the role of the state, lowering barriers to entry, relaxing capital account restrictions—could **raise real private sector credit by more than 5 percent and GDP per capita by almost 2 percent after 5 years.**

Ensuring fiscal sustainability and safeguarding social protection systems remains essential. Countries facing high debt levels and financing needs should continue with fiscal consolidation to decisively reduce debt burdens and build resilience against future shocks. Low-income countries will need to address food insecurity as part of their fiscal strategies. MENA oil exporters should focus on fostering resilience and sustainability while ensuring intergenerational equity. The monetary policy stance should remain data dependent and vigilant to changes in underlying inflation pressures.

Let me conclude by emphasizing that the IMF's commitment to supporting MENA economies is steadfast. Our engagement remains strong both in terms of financing and presence. This year alone, the IMF has approved \$13.4 billion in financing to countries in the MENA region and Pakistan.

The IMF maintains a significant footprint in MENA, including with our new regional office in Riyadh, which will help strengthen the IMF's partnership with countries across the region.

Many thanks for your attention, and I will now take your questions.