May 2025 Regional Economic Outlook
MENA Press Conference
May 1, 2025
Dubai

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Welcome to the launch of the IMF's May 2025 Regional Economic Outlook for the Middle East and North Africa. It's good to be back in Dubai to share our views on the region's economic prospects and policy priorities.

Let me begin today with an overview of where things stand.

We expect growth in the MENA region to continue to increase this year and next year, but at a slower pace than we foresaw at the time of our October 2024 REO. Rising trade tensions, increased geopolitical fragmentation, and weaker international cooperation are generating extraordinary uncertainty, which is weighing on global economic prospects.

We continue to assess the implications of the April changes in U.S. tariff policy for MENA economies. While the direct effects are expected to be modest—given limited trade exposure to the United States and exemptions for energy products—the indirect effects could be more pronounced. Slower global growth could weaken external demand and remittances, and tighter financial conditions may prove challenging for countries with elevated public debt. Lower oil prices would worsen oil-exporting economies' fiscal and external positions, although they would provide some relief for oil importers. Some countries may benefit from trade diversion, but such gains are hard to predict and would occur in a broader environment of trade contraction.

For MENA economies, these developments are adding to existing regional sources of uncertainty, including ongoing conflicts, pockets of political instability, and climate vulnerability. Last year was a particularly challenging one for the region, with conflicts causing severe human and economic costs. Average growth in the MENA region in 2024 was 1.8%, a downward revision of 0.3 percentage point from the October forecast.

We expect growth to pick up in 2025 and 2026, assuming oil output rebounds, conflict-related impacts stabilize, and progress is made on structural reform implementation. However, the projections have been lowered compared with the October 2024 REO, reflecting weaker global growth, lower oil prices affecting oil exporters, still-lingering conflicts, and a more gradual resumption of oil production than we had expected after the extension of OPEC+ voluntary oil cuts. For 2025, we project average growth in the MENA region to be 2.6 percent (compared with 4 percent projected last October). For 2026, projected growth is 3.4 percent (compared with 4.2 percent projected before).

In **MENA oil exporters**, growth was stable in 2024 at 2.2 percent but with significant differences between GCC and non-GCC economies. In the GCC, robust non-oil activity linked to diversification efforts helped to offset the negative impact of extended OPEC+ production cuts. Non-GCC countries did not have a similar buffer. For oil exporters, we project growth of 2.3 percent in 2025 and 3.1 percent in 2026 but, again, with a significant split between GCC and non-GCC oil exporters. In the GCC, we expect a pickup in growth driven by robust non-oil sector expansion as well as a gradual resumption of oil production. Conversely, among non-GCC oil exporters we foresee lower growth due to sanctions, lower oil prices, capacity constraints, and fiscal unwinding. For all oil exporters, lower oil prices are expected to reduce fiscal and external buffers.

In **MENA oil importers**, average growth last year fell to 1.1 percent, around half of its 2023 level, weighed down by the direct and indirect impacts of conflict. We estimate that economies directly impacted by conflict—that is, Lebanon, Sudan, West Bank and Gaza, and Yemen—faced an average GDP loss of approximately 15 percent in 2024. Projected higher growth in 2025 is mainly due to a less negative impact of the conflict. In Egypt and Jordan, which experienced spillover effects from the conflict in Gaza and Israel, we expect a modest recovery in growth in 2025, even as challenges persist as the conflict lingers. A few other MENA oil importers were not much affected by conflict and are expected to see growth rise going forward, driven by stronger domestic demand and the implementation of structural reforms.

These projections are subject to extraordinary uncertainty, and risks to the baseline forecast are on the downside.

Let me highlight four key risks to the outlook.

First: **trade tensions**. A further escalation could dampen global demand, delay the recovery of oil production, and tighten financial conditions. Our analysis shows that persistent spikes in uncertainty triggered by global shocks are associated with large output losses in the MENA region: if the sharp rise in global uncertainty observed so far in 2025 continues, it could lead to output about 4.5 percent below its original trend for the average MENA economy after two years.

Second: **Conflicts**. Worsening conflicts could disrupt trade, tourism, and supply chains and increase refugee flows.

Third: **Climate shocks**. The MENA region remains vulnerable to extreme weather events, including droughts and floods.

Fourth: **Reduced official development assistance**, which could have serious economic and humanitarian consequences, especially for the region’s low-income countries and fragile and conflict-affected states.

There are also some upside risks. The swift resolution of conflicts and accelerated implementation of structural reforms could improve regional growth prospects substantially.

In this highly uncertain environment, policymakers should respond along two key dimensions:

First, **adapt to the new environment**. Policymakers must take steps to shield their economies from worst-case scenarios and prioritize safeguarding macroeconomic and financial stability. For countries with limited fiscal space, it is crucial to rebuild buffers to better absorb future shocks. Those facing high inflation pressures should maintain a prudent monetary stance until inflation expectations are firmly anchored. Adequate levels of international reserves should be preserved; where exchange rates are flexible, they should be allowed to act as shock absorbers. In the near term, an important way to create policy space is by strengthening institutional frameworks for fiscal and monetary policy. Implementing credible medium-term fiscal frameworks and fiscal rules, along with reinforcing central bank independence, will help anchor expectations and enhance countries’ capacity to navigate uncertainty.

Second, **transform the economy**. While the near-term situation is challenging, that is not a reason to delay reforms. Delay can be costly when the world prospects are uncertain, and change is fast. Instead, countries should accelerate the long-discussed structural reform agenda to reduce vulnerabilities to shocks and seize opportunities arising from the evolving global trade and financial landscape. This would require enhancing governance, fostering a dynamic private sector, and establishing strategic trade and investment corridors with other regions, as well as within the MENA region.

[IMF Support]

Before I open the floor to questions, **I want to emphasize the IMF's deep commitment to supporting MENA economies** throughout the region. Our engagement remains strong both in terms of financing and presence. Since 2020, the IMF has approved more than $47 billion in financing to countries in the MENA region and Pakistan. We are also engaging with the region through our capacity development activities, with 274 projects during fiscal year 2023/24 and a growing regional footprint.

In closing, I want to emphasize our **engagement in post-conflict economies**. Recent political developments in Lebanon and Syria present a unique opportunity to rebuild stronger and more inclusive economies. Strengthening economic fundamentals and rebuilding institutions will be essential to successful recovery. The IMF, in coordination with the World Bank and regional partners, has established an informal coordination group to support recovery in conflict-affected states in the Middle East. Our focus will be on capacity building, policy guidance, and financial assistance.

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