

# Middle East and North Africa Regional Economic Outlook

A world map is visible in the background, rendered in a dark blue color. Overlaid on the map are various financial data points in a lighter blue color, including numbers like '1.34', '767.89', '778.33', and '95.09', along with symbols like 'DOW' and 'DAX'. The map is centered on the Middle East and North Africa region.

May 2013

# Outline

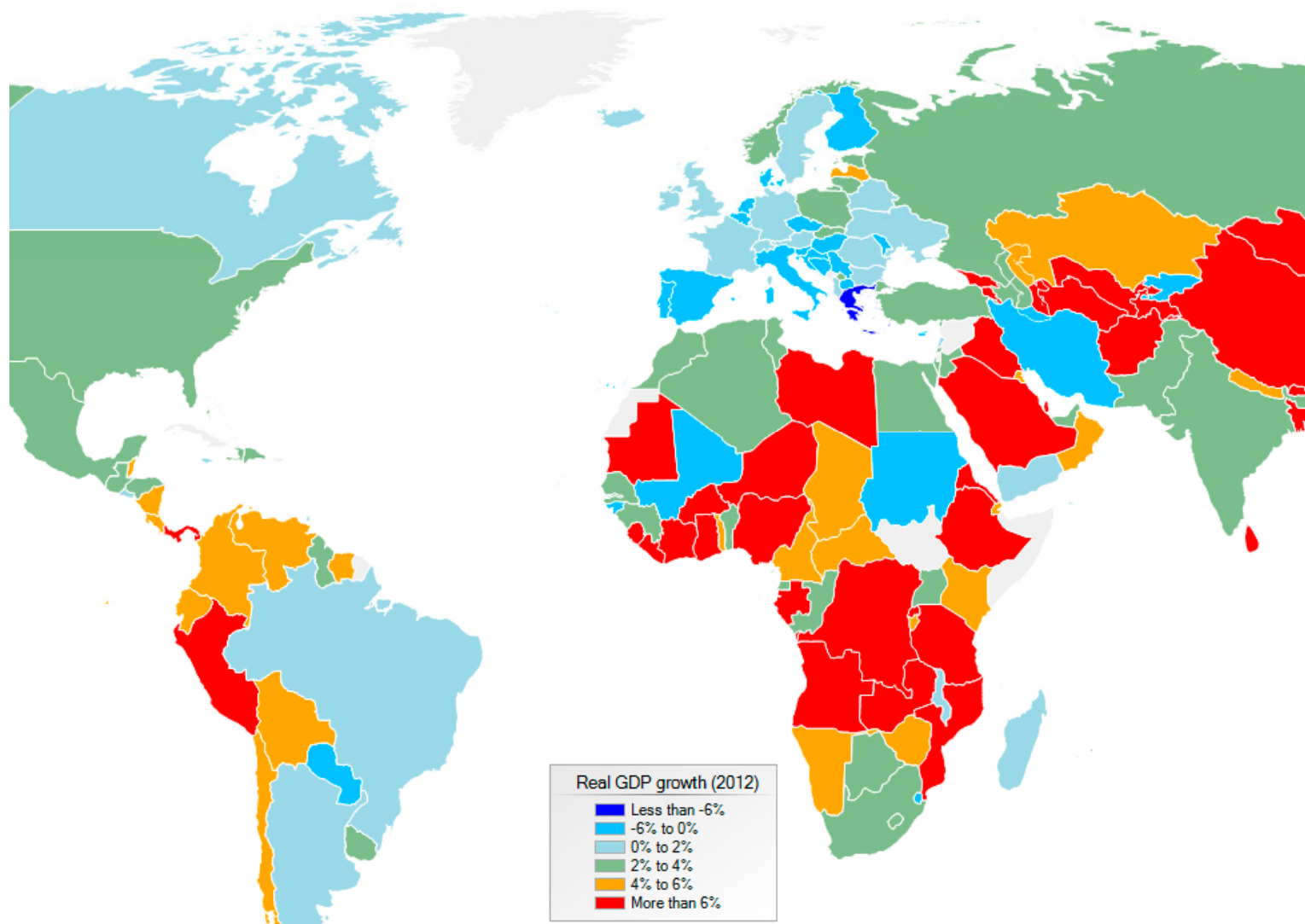
## **Global Outlook**

## **MENAP: Recent Developments And Near-Term Outlook**

- **Oil Exporters**
- **Oil Importers**

## **Medium-Term Challenges: Structural Reforms**

# Timid global recovery in 2012 but major risks diffused

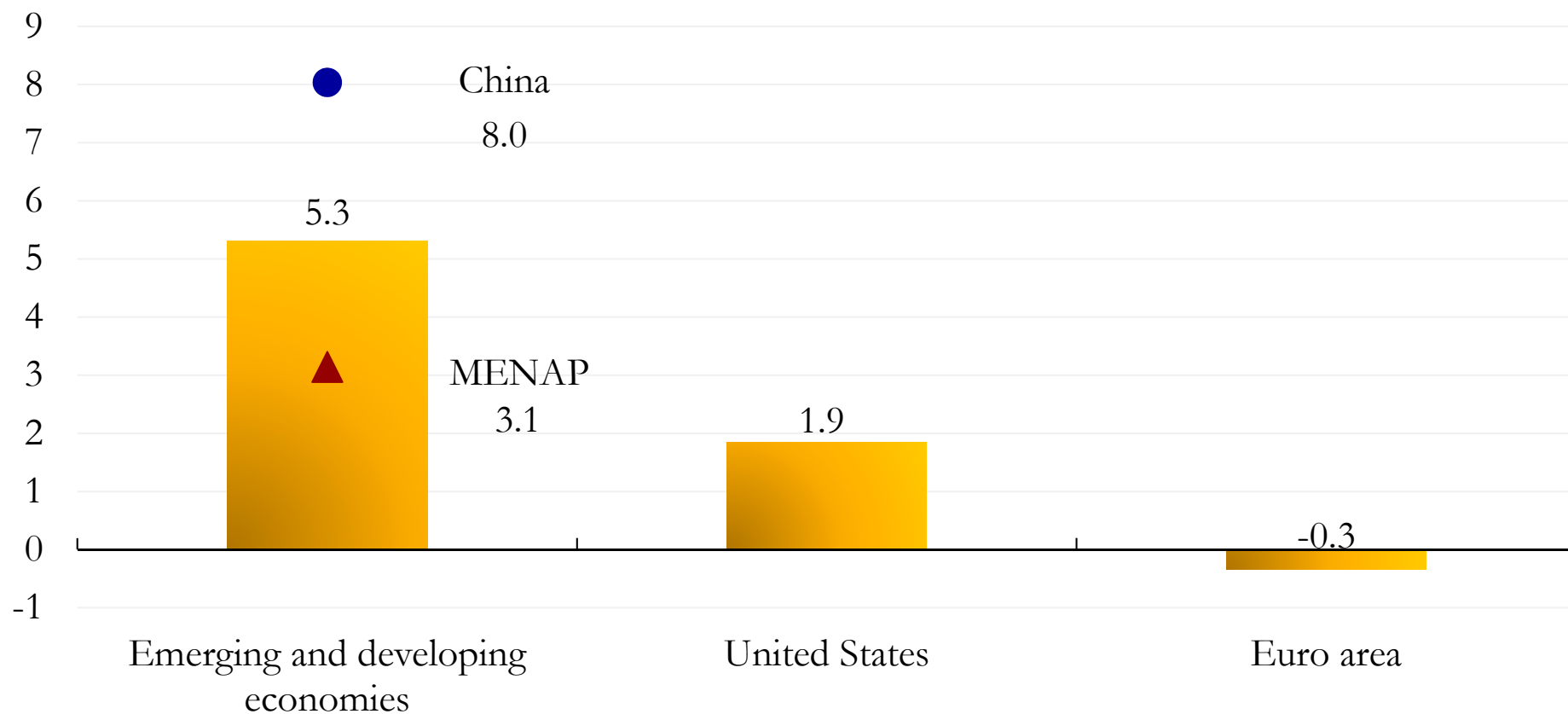


Source: IMF, World Economic Outlook, April 2013.



# Three-speed global economy in 2013

**Real GDP growth, 2013**  
(Percent change, year over year)

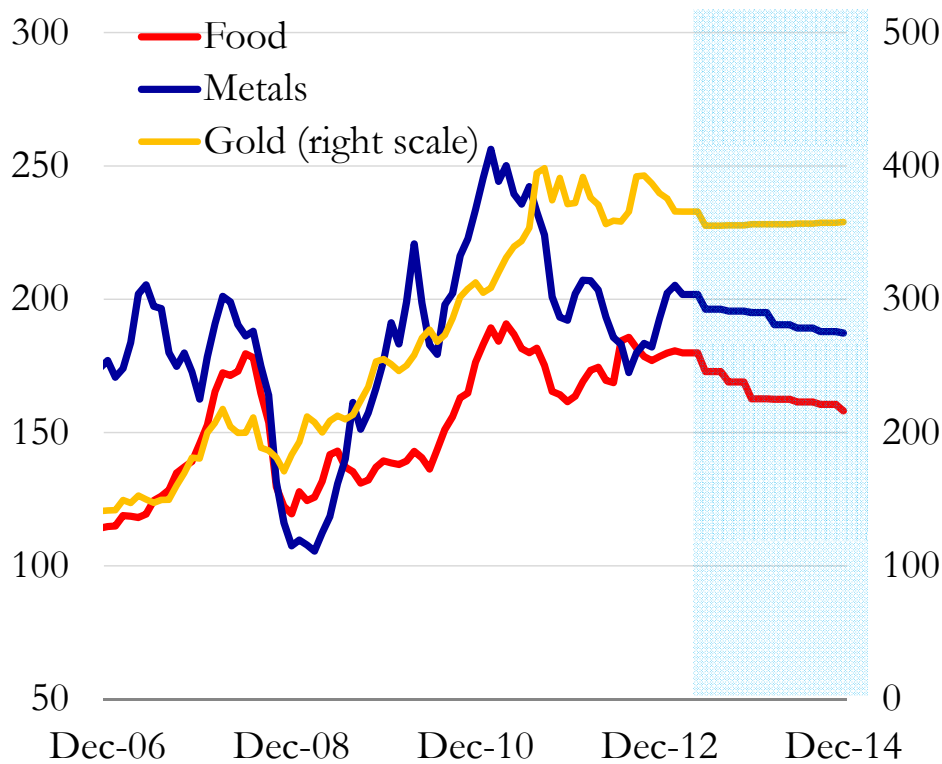


Source: IMF, World Economic Outlook, April 2013.

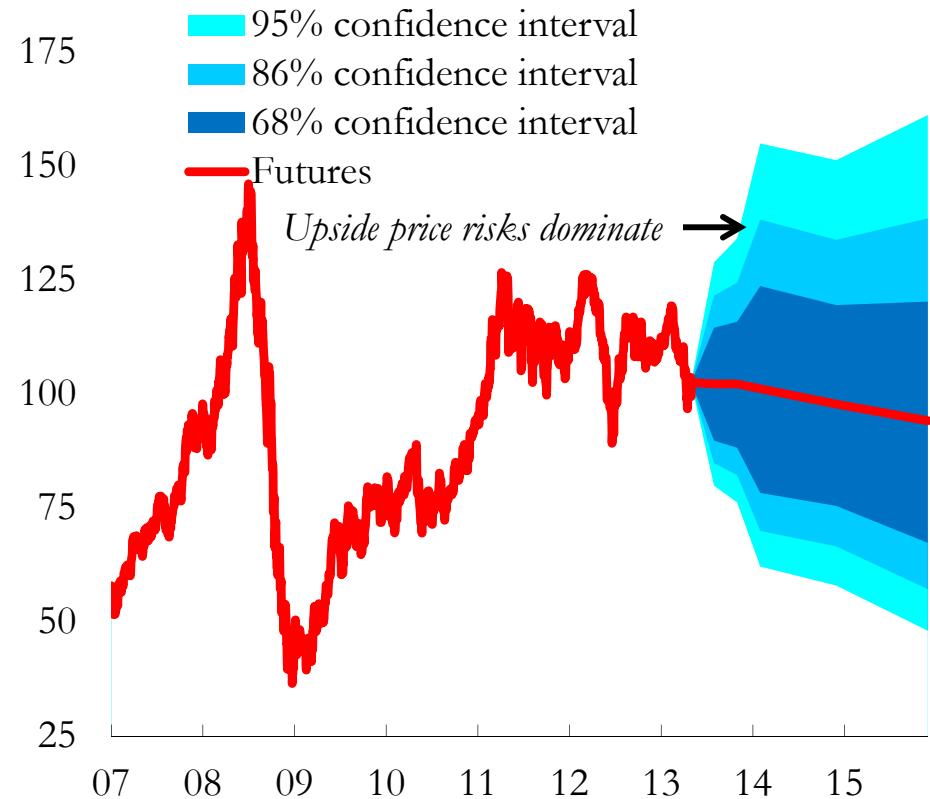


# Commodity prices have eased but remain elevated

**Global commodity price developments<sup>1</sup>**  
(Index; 2005 = 100)



**Brent crude oil price prospects<sup>2</sup>**  
(U.S. dollars per barrel)



Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

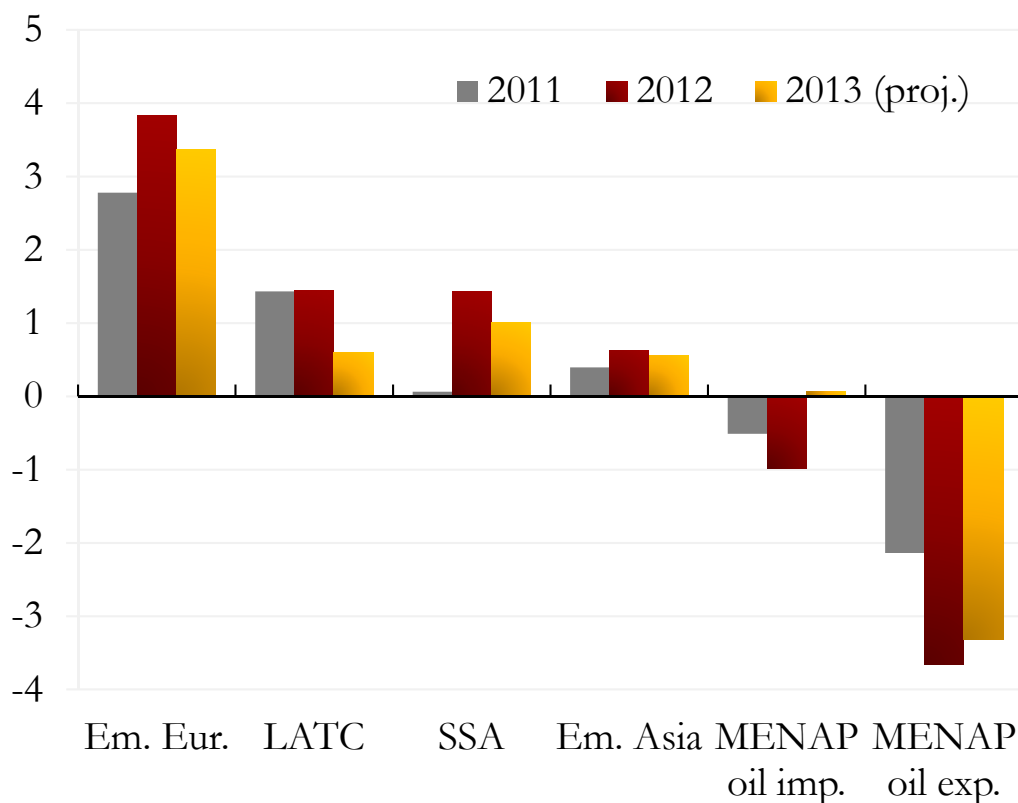
<sup>1</sup>Food index derived from average price of corn, wheat, rice, and soybeans.

<sup>2</sup>Derived from prices of futures options on May 3, 2013.

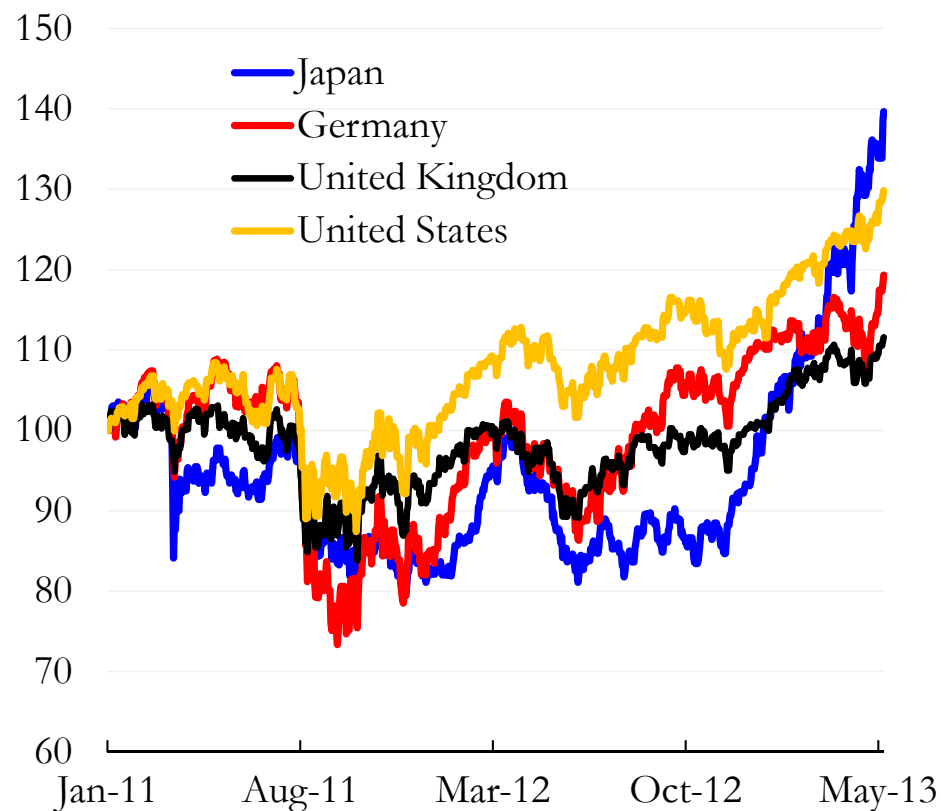


# EM portfolio flows and AM equities have risen in search of yields

**Net portfolio capital flows to emerging markets**  
(Percent of GDP)



**Advanced economy equity markets**  
(Index; Jan 1, 2011=100)

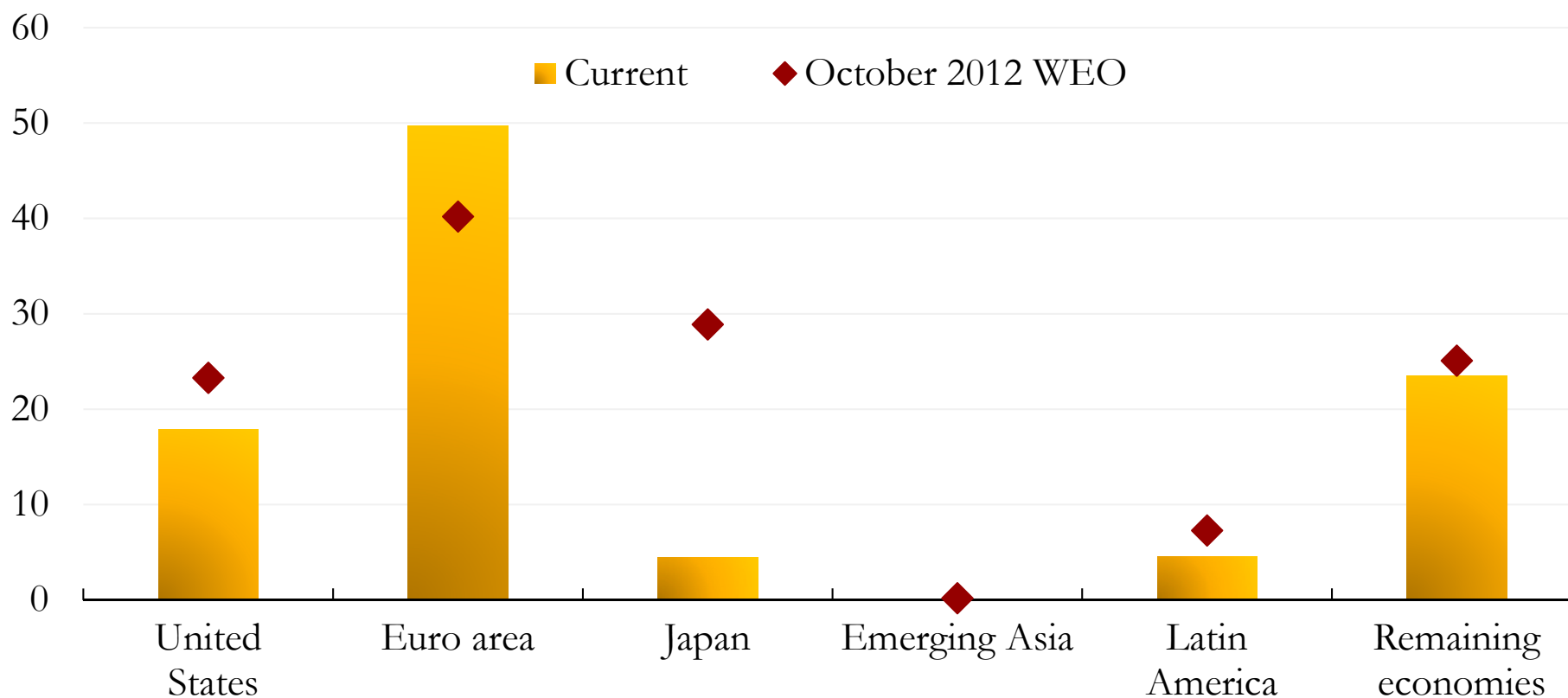


Sources: IMF, World Economic Outlook; and Bloomberg LP.



# Risks to euro area growth remain high

Probability of recession, 2013  
(Percent)

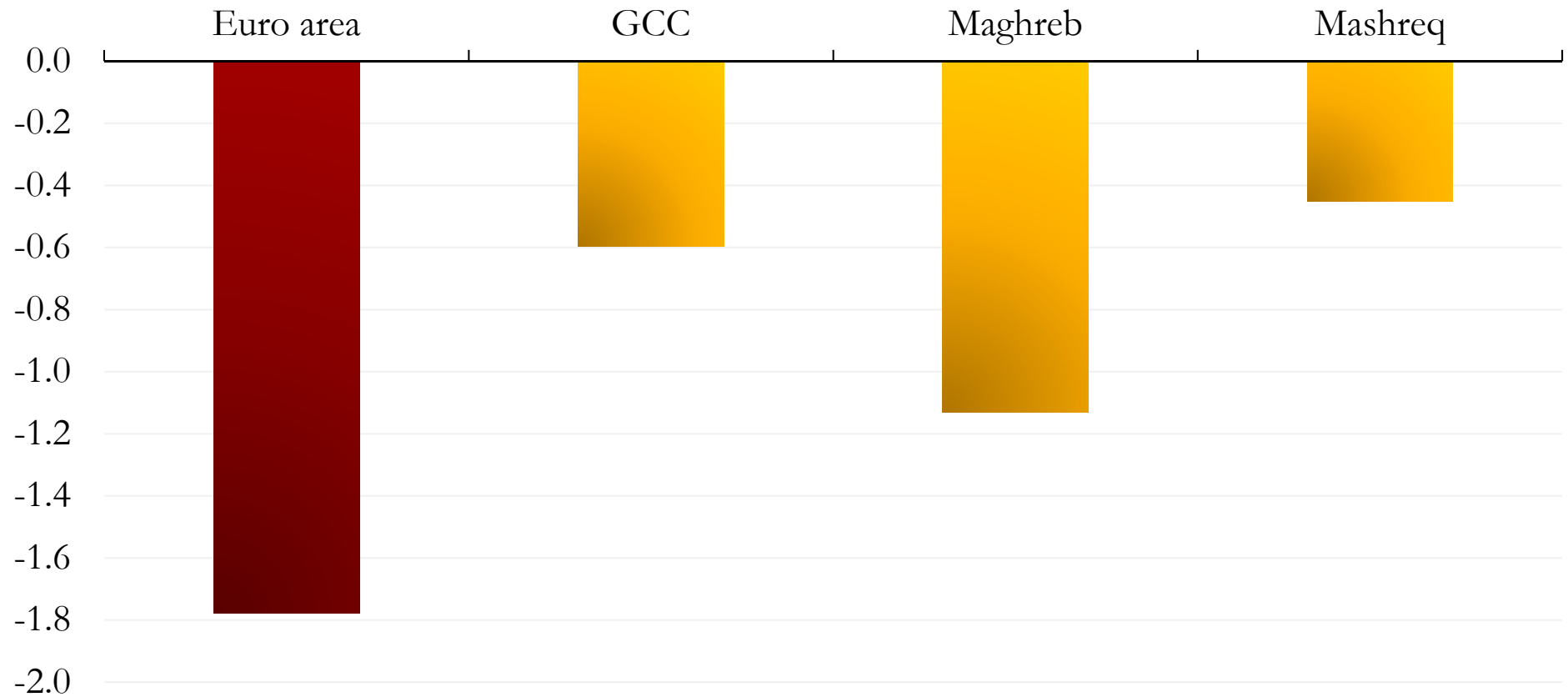


Sources: IMF, World Economic Outlook; and Bloomberg LP.



# Slower European growth<sup>1</sup> would impact Maghreb

Cumulative GDP loss, 2013 and 2014  
(Percent)



Source: IMF, World Economic Outlook (April 2013); and IMF staff calculations.

<sup>1</sup> Euro area weak policies scenario described in April 2013 World Economic Outlook.



# Converging MENAP growth rates mask varying economic prospects

## Real GDP growth (Percent)

	<b>MENAP</b>	<b>MENAP oil exporters</b>	<b>MENAP oil importers</b>
<b>2012</b>	4.7	5.7	2.7
<b>2013</b>	3.1	3.2	3.0
<b>2014</b>	3.7	3.7	3.6

Sources: National authorities; and IMF staff calculations.

# Recent developments and near-term outlook

## MENAP oil exporters



# Positive outlook, but vulnerabilities remain

## Near-term Positive Outlook

- High oil price
- Oil production rebalanced
- Non-oil GDP growth robust

## *However*

- Increasingly vulnerable to oil revenue shocks
- Projected to start drawing on savings soon
- Oil dependent growth
- Low private sector employment of nationals

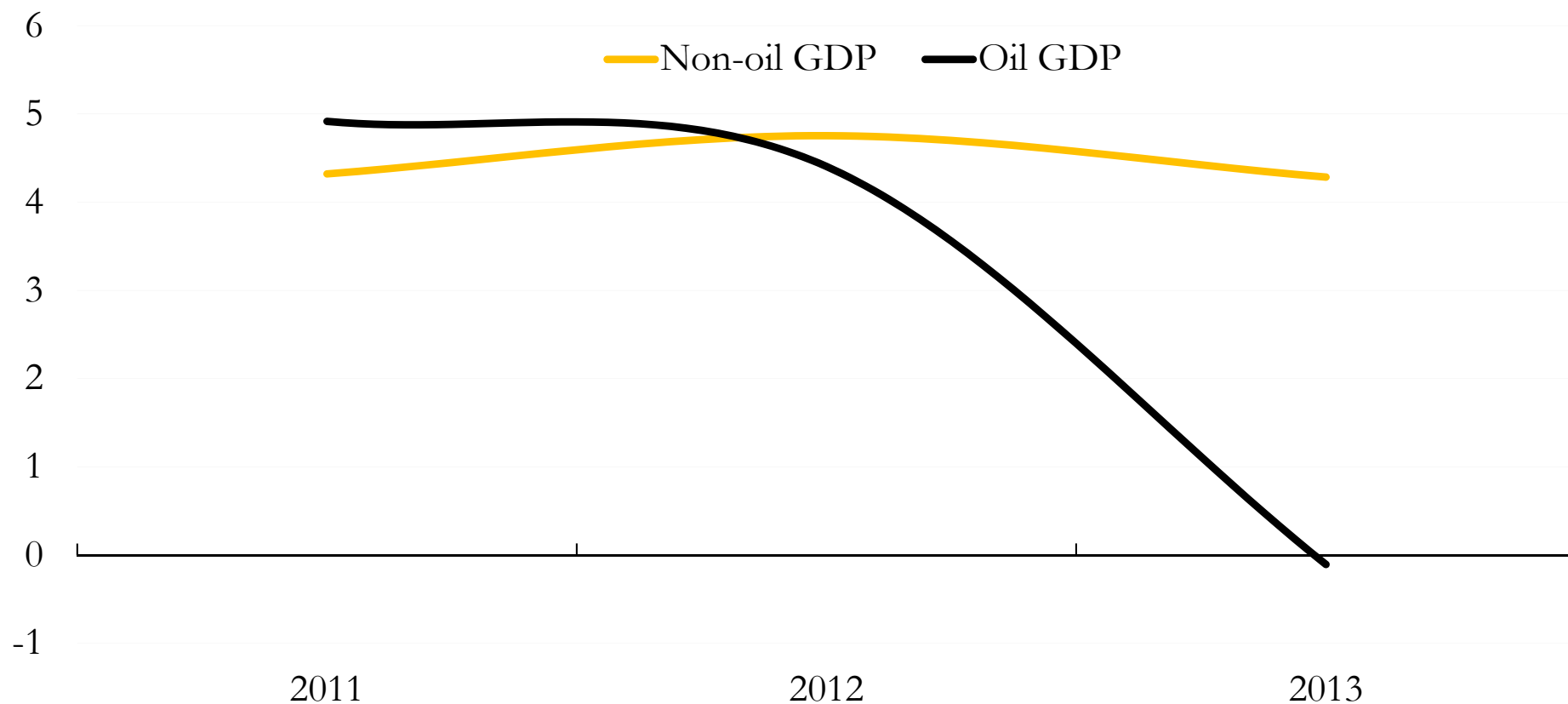
## *Therefore*

- Contain current spending
- Ensure capital spending is productive
- Implement reforms to increase economic diversification
- Invest in human capital

***MENAP oil exporters***

# Non-oil GDP robust and oil GDP pauses...

Oil and non-oil real GDP growth  
(Percent)

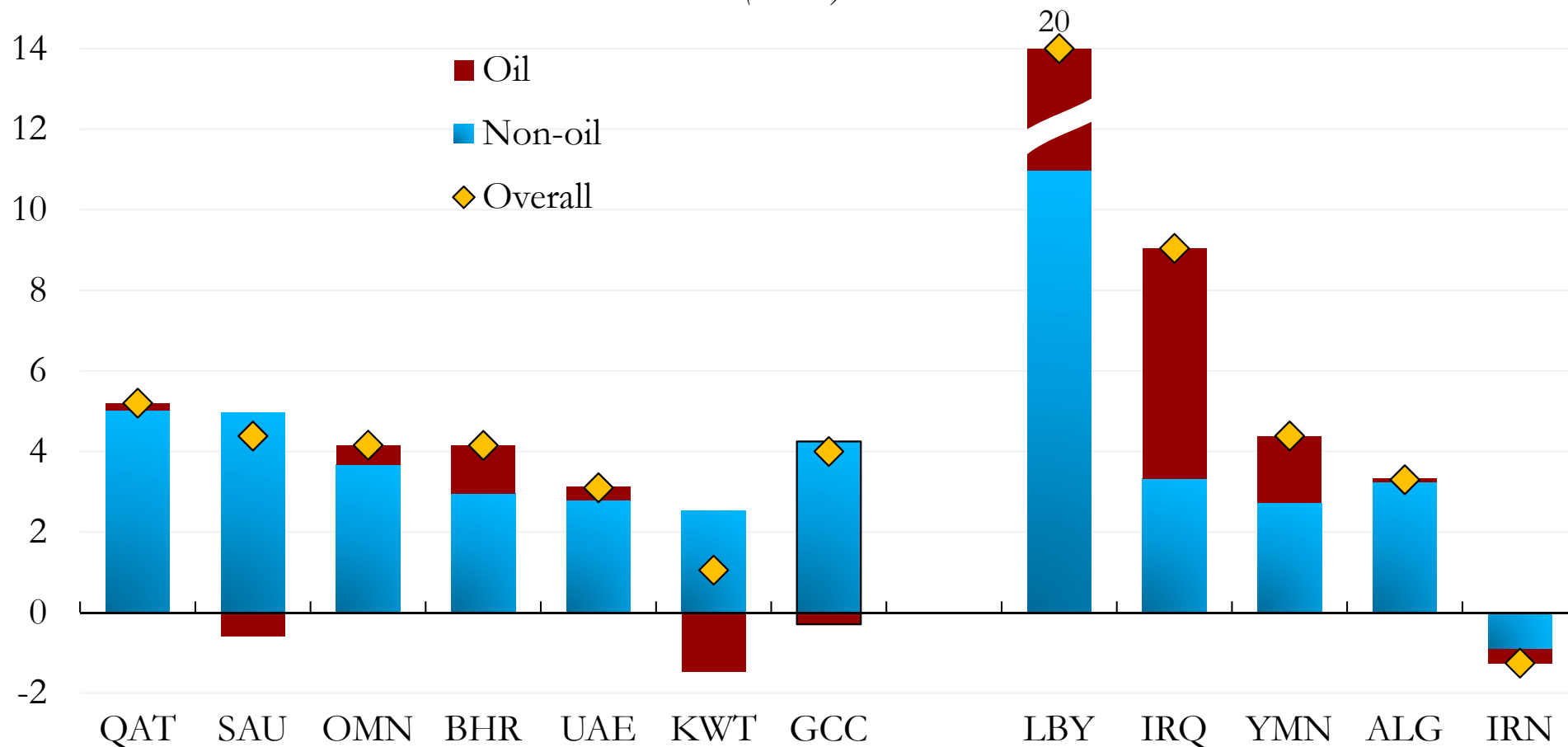


Sources: National authorities; and IMF staff calculations.



# ... but big variations in growth...

Real GDP growth with oil and non-oil contributions , 2013  
(Percent)

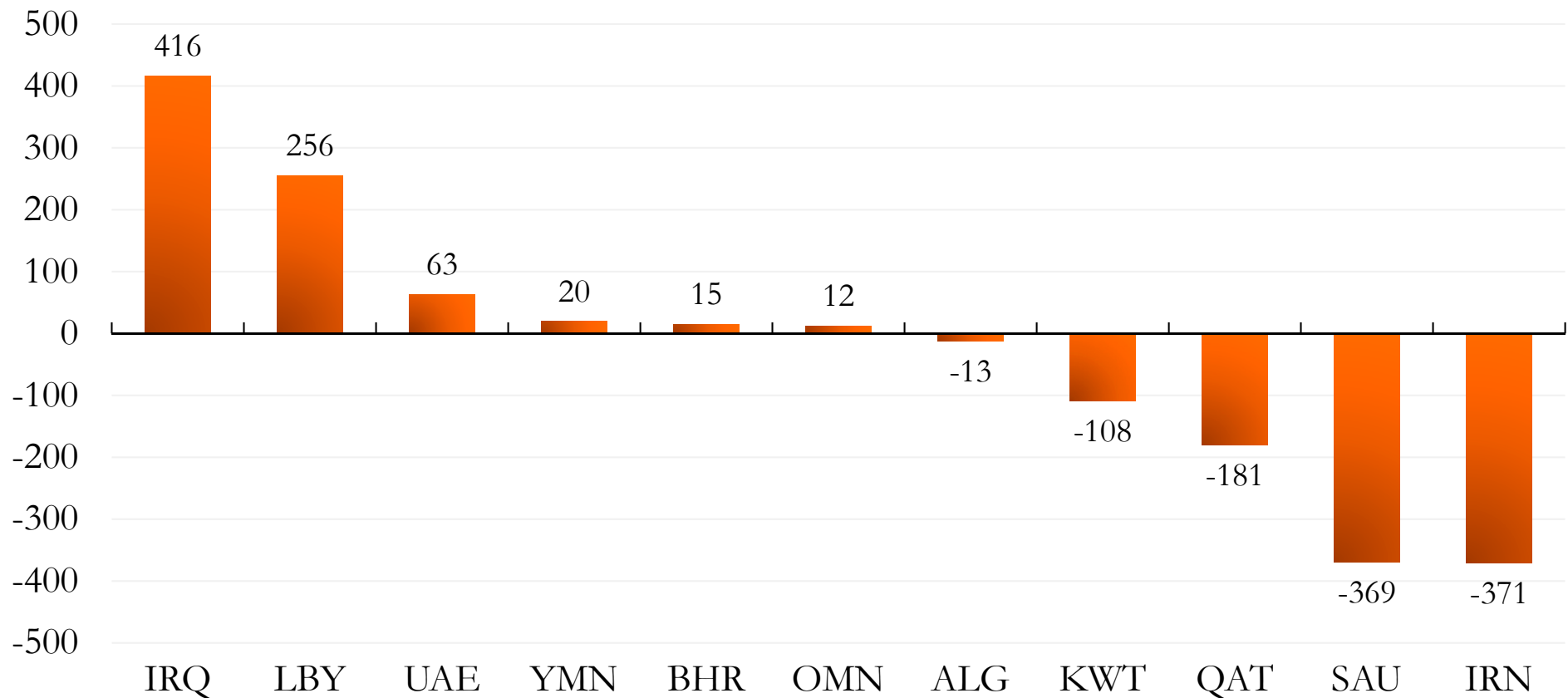


Sources: National authorities; and IMF staff calculations.



# ... and hydrocarbon exports ...

Change in hydrocarbon<sup>1</sup> exports between 2012 and 2013  
(Thousands of barrels per day equivalent)



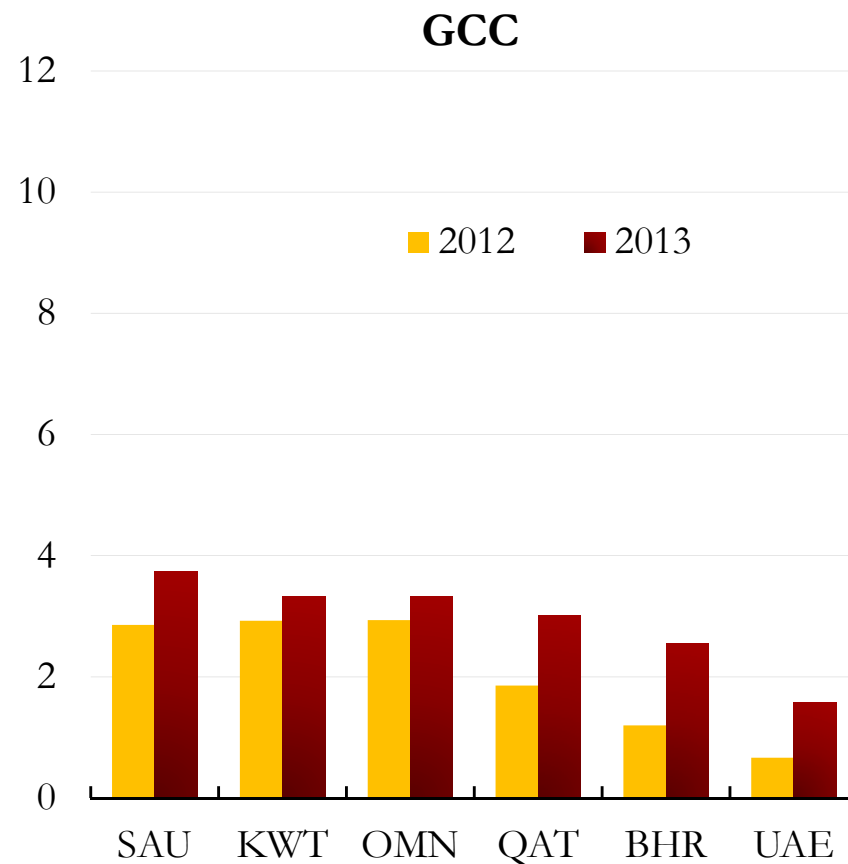
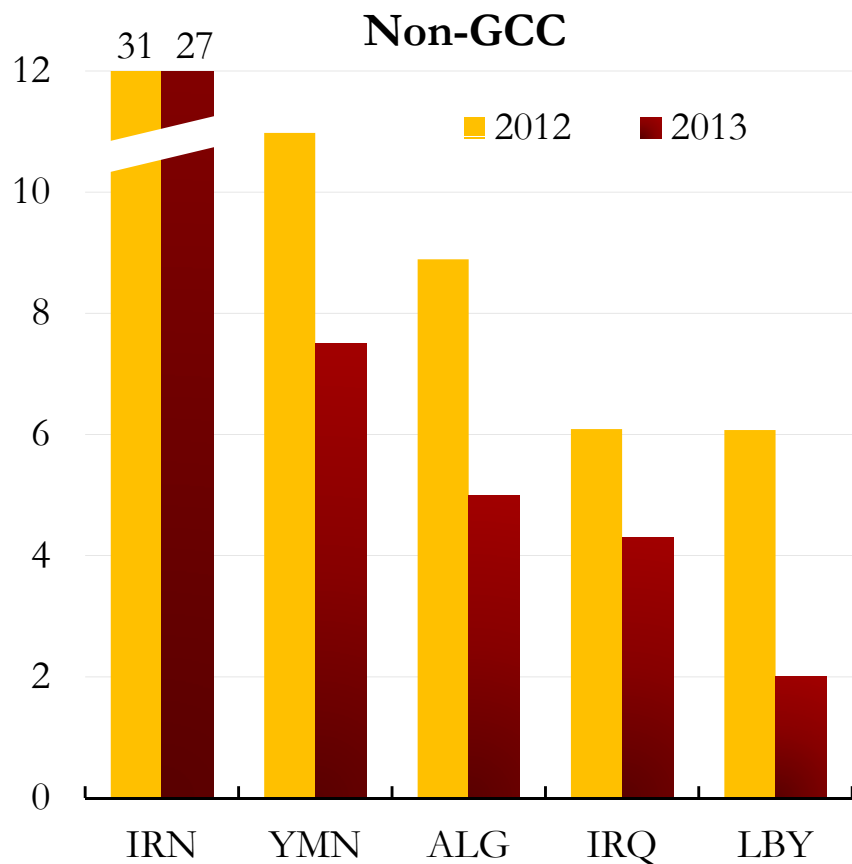
Sources: National authorities; and IMF staff calculations.

<sup>1</sup> Crude, gas, condensates, and refined products.



# Inflation muted in GCC and falling elsewhere

**Consumer price index**  
(Period average, annual percent change)

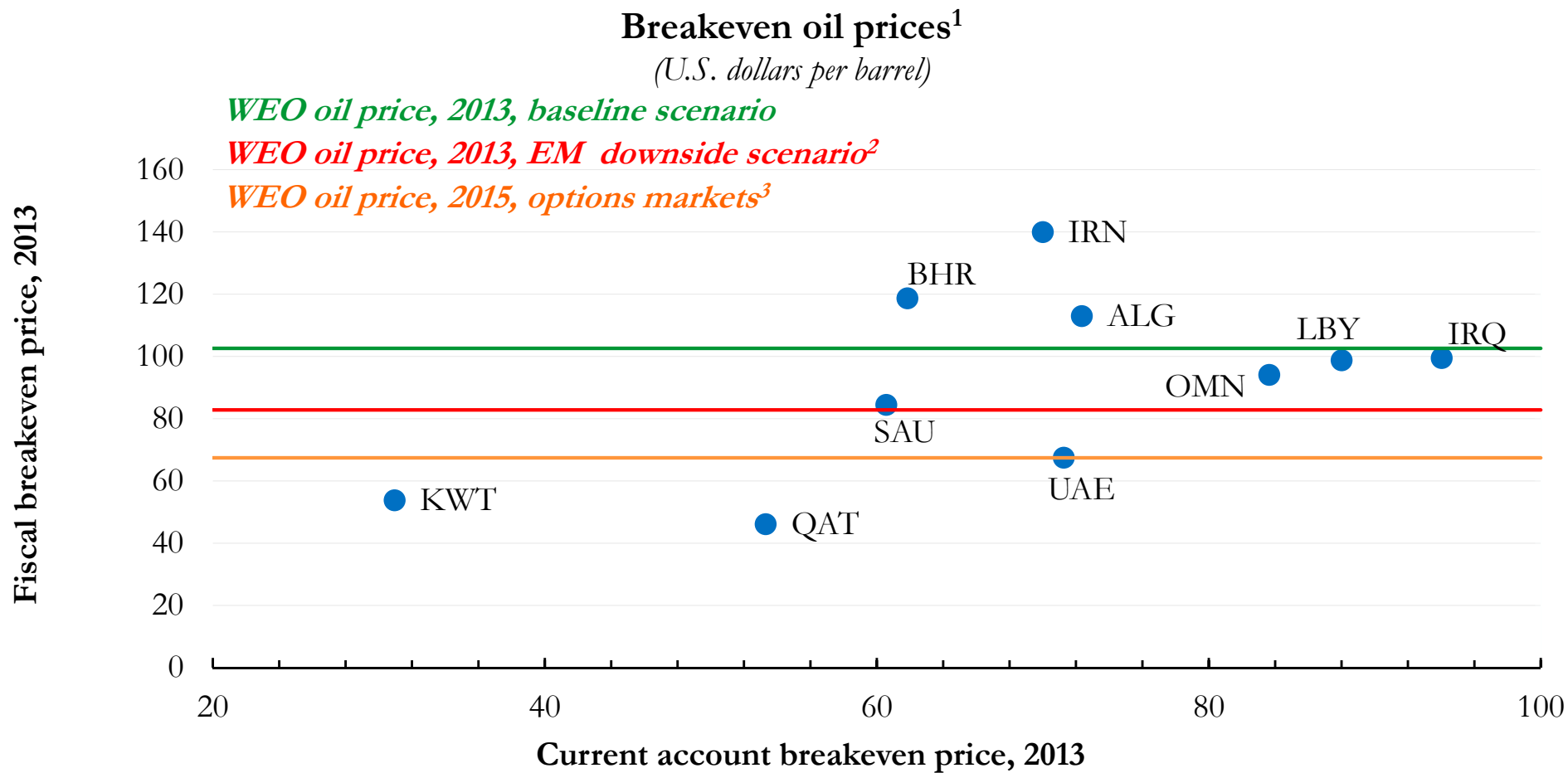


Sources: National authorities; and IMF staff calculations.



***MENAP oil exporters***

# Vulnerability to oil revenue shocks is rising...



<sup>1</sup>Yemen breakeven, 2013: US\$215 (fiscal), US\$168 (current account).

<sup>2</sup> Capital outflows and weak private investment in emerging markets.

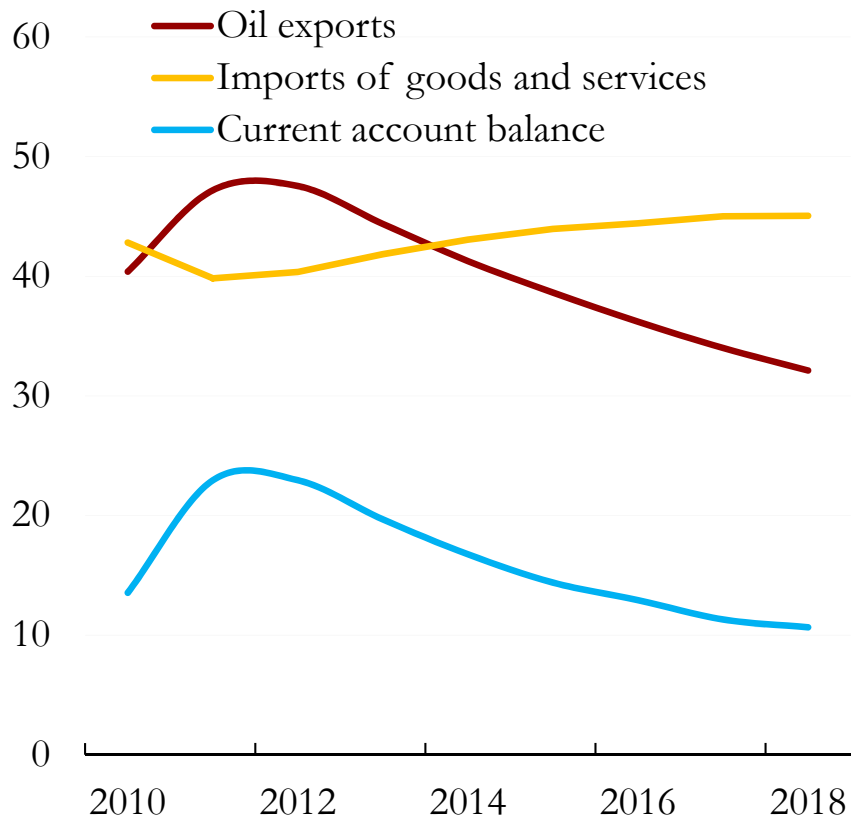
<sup>3</sup>One standard deviation down from baseline implied by options, June 1, 2015.



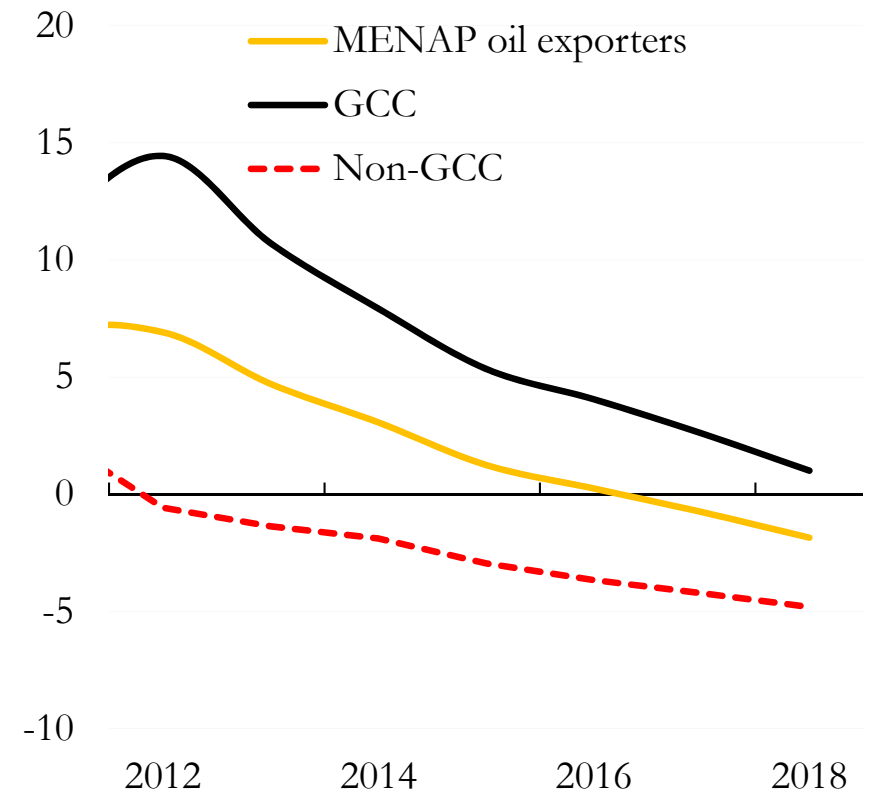


# ... and deficits are around the corner

### GCC external balances (Percent of GDP)



### Fiscal balances (Percent of GDP)



Sources: National authorities; and IMF staff calculations.

***MENAP oil exporters***

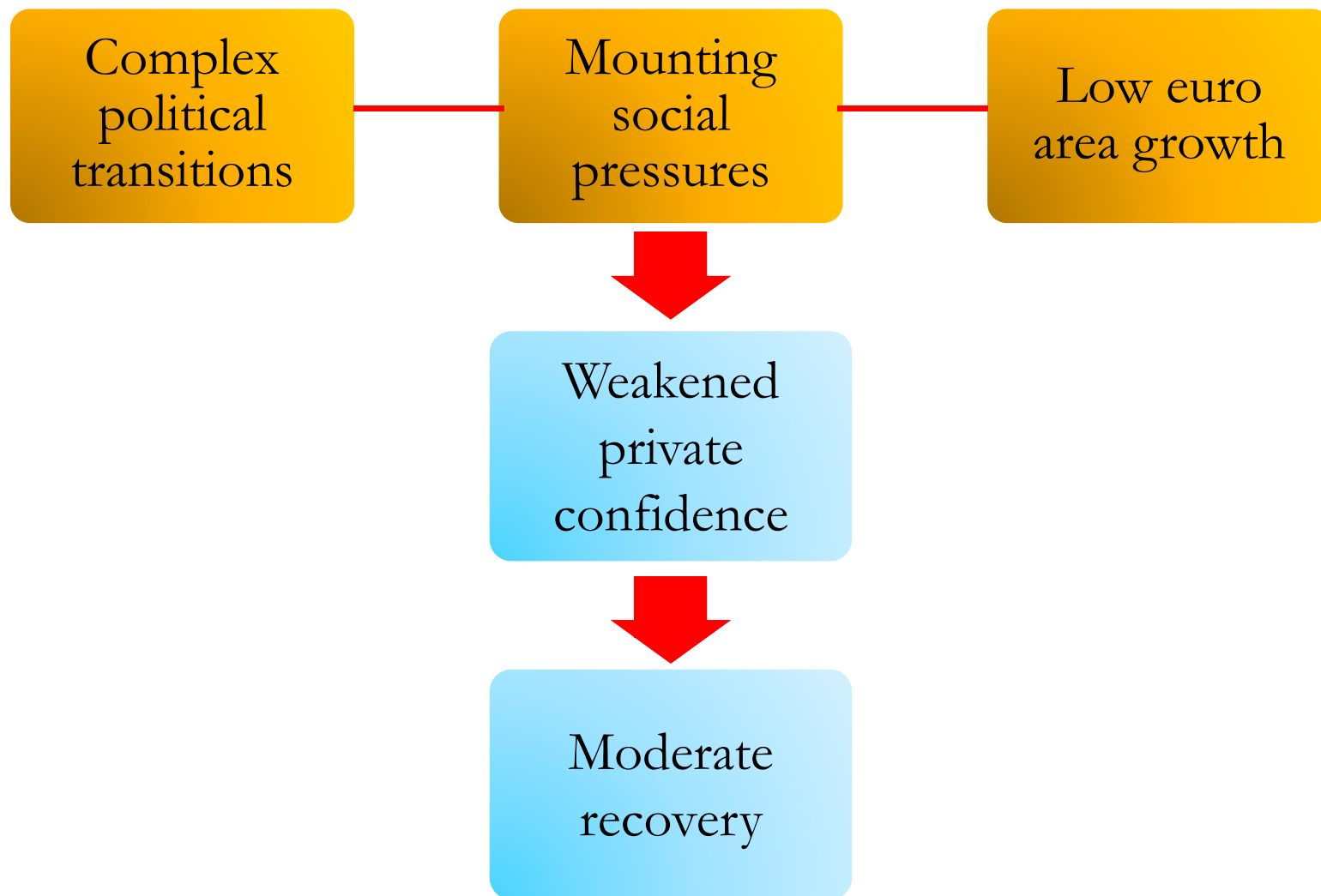


# Recent developments and near-term outlook

## MENAP oil importers

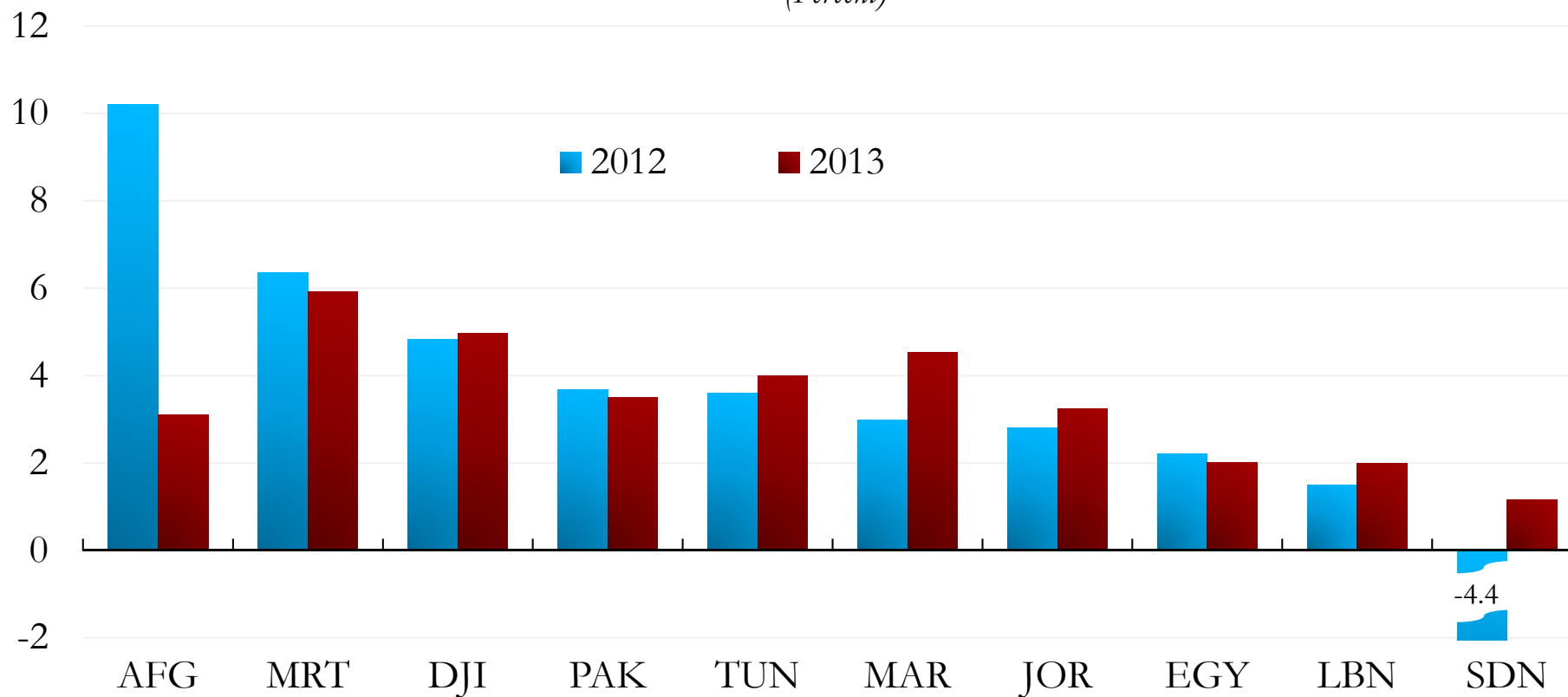


# Moderate recovery in a difficult environment



# Moderate growth...

Real GDP growth  
(Percent)



Sources: National authorities; and IMF staff calculations.



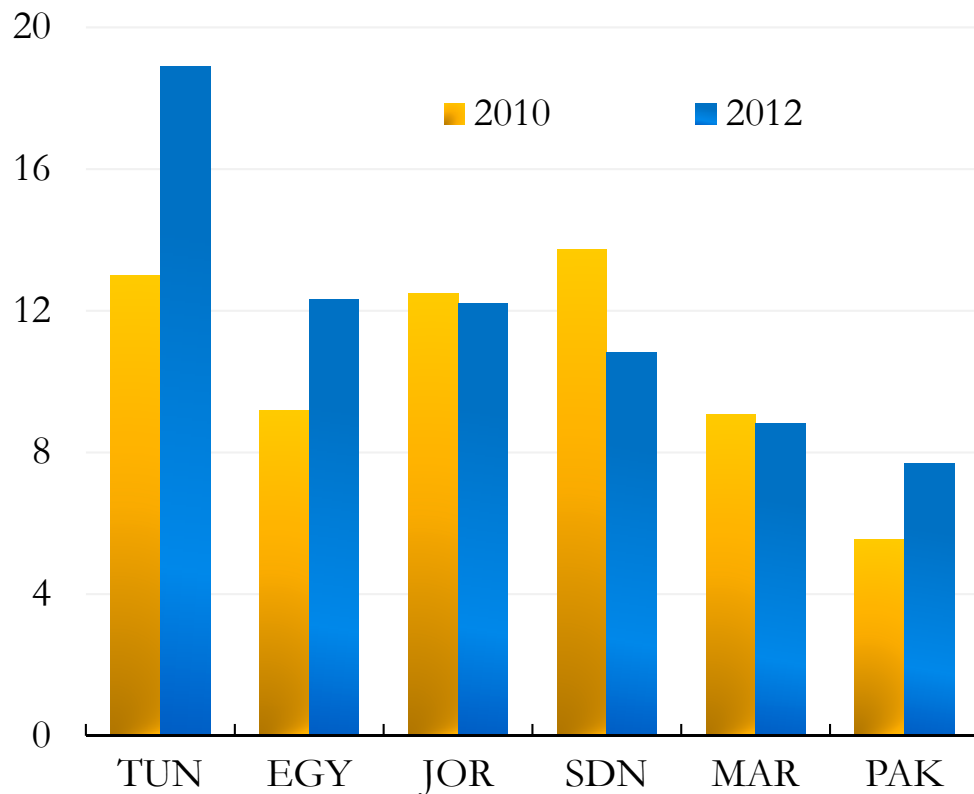
# ...is weighed down by complex political transitions and upcoming elections...

- Nov 11 • Morocco (Parliament)
- May 12 • Syria (Parliament)
- Jun 12 • Egypt (President)
- Jan 13 • Jordan (Parliament)
- Feb 13 • Djibouti (Parliament)
- Apr 13 • Egypt (Parliament, delayed)
- May 13 • Pakistan (Parliament)

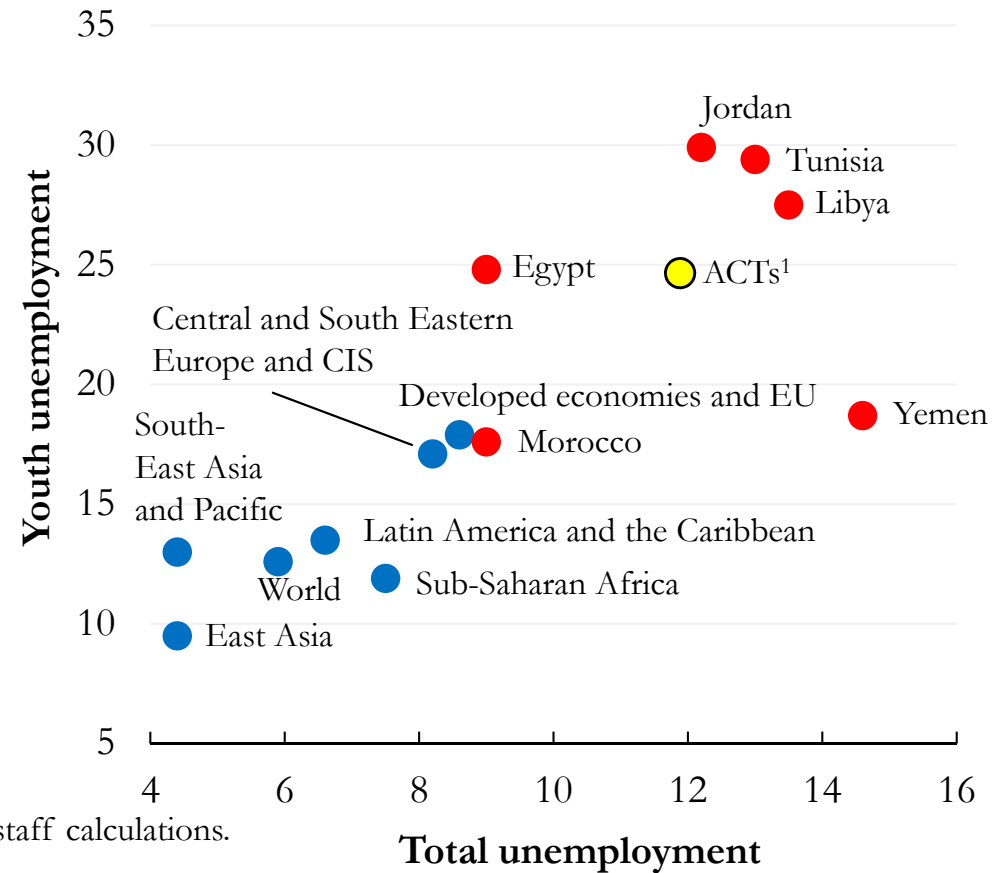
- Jun 13 • Lebanon (Parliament)
- Oct 13 • Mauritania (Parliament)
- Dec 13 • Tunisia (Parliament and President)
- Apr 14 • Afghanistan (President)

# ...mounting social pressures...

**Unemployment rate**  
(Percent)



**Unemployment rates by region**  
(Latest available date, percent)



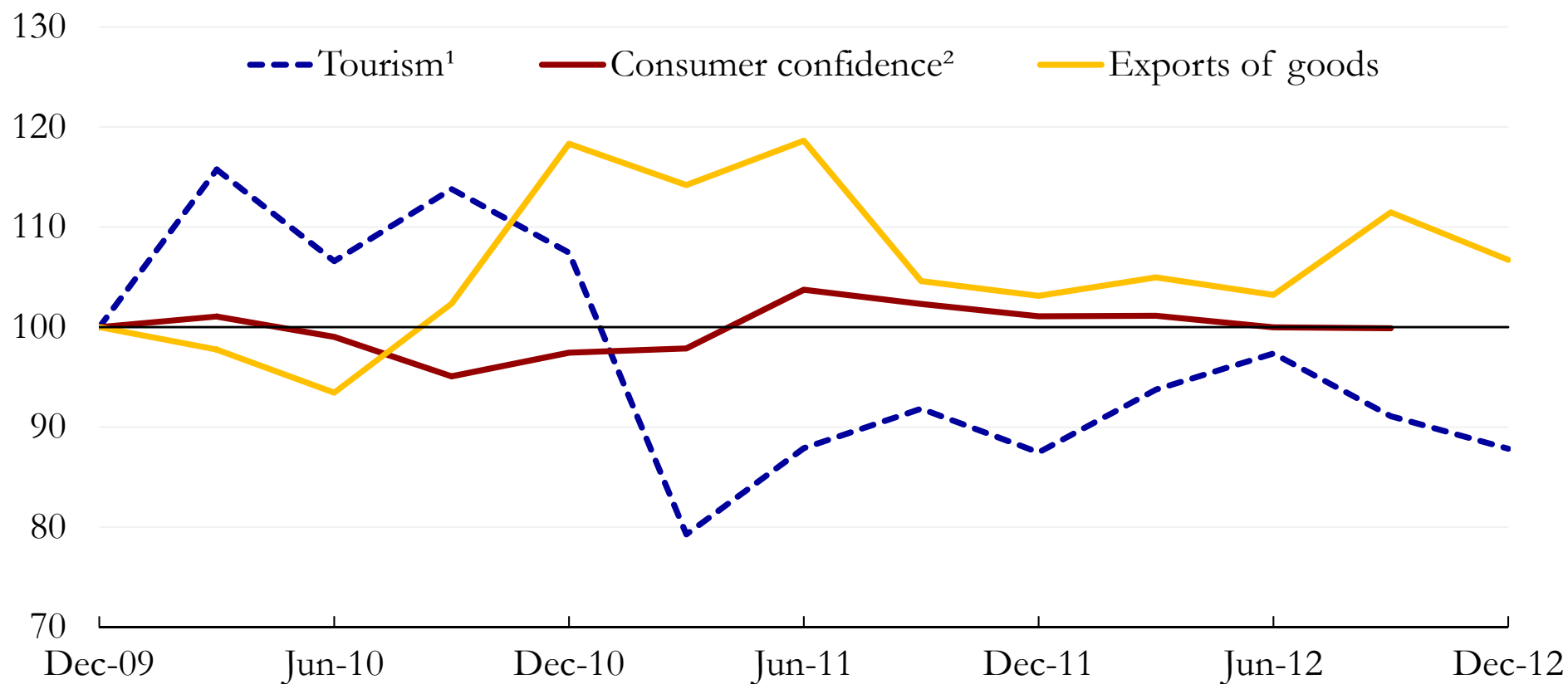
Sources: International Labor Organization; national authorities; and IMF staff calculations.

<sup>1</sup>Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen.



# ...and weakened confidence and low euro area growth

**MENAP oil importers: Confidence indicators**  
(Index; Dec 2009=100, seasonally adjusted)



Sources: Haver Analytics; UN, World Tourism Barometer; and national authorities.

<sup>1</sup>Average number of tourist arrivals for Egypt, Jordan, Lebanon, Morocco, and Tunisia.

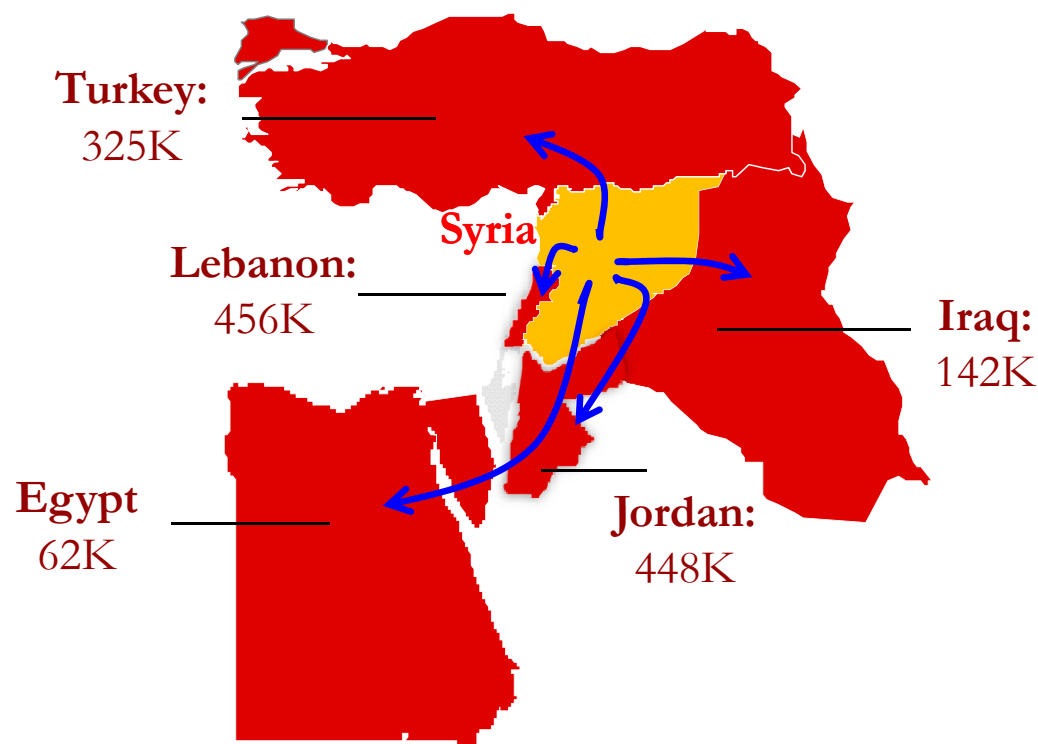
<sup>2</sup>Average of consumer confidence indices for Egypt, Jordan, Morocco, and Tunisia.



# Major spillovers from the conflict in Syria

## Estimate of refugee flows from Syria<sup>1</sup>

<b>Total outside Syria:</b> 1.4 million
<b>Internally displaced:</b> about 4 million



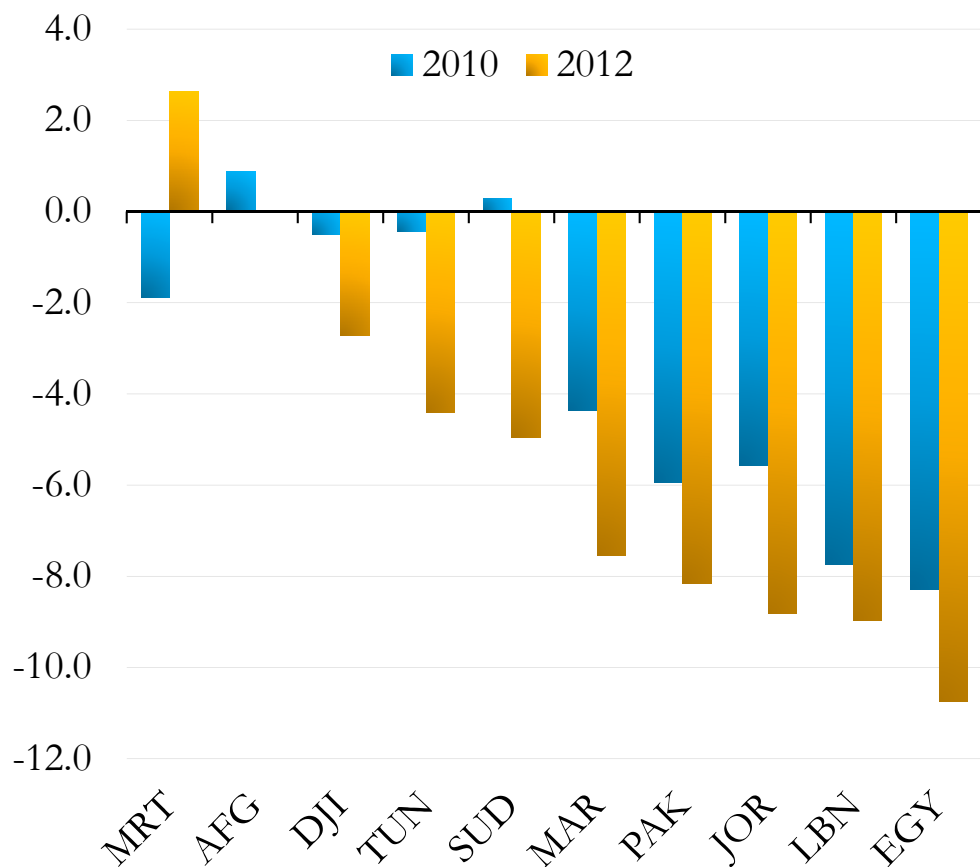
Sources: UN Refugee Agency, Information Sharing Portal : Syria Regional Refugee Response.

<sup>1</sup>As of 6 May 2013. Figures reflect the number of refugees registered or awaiting registration.

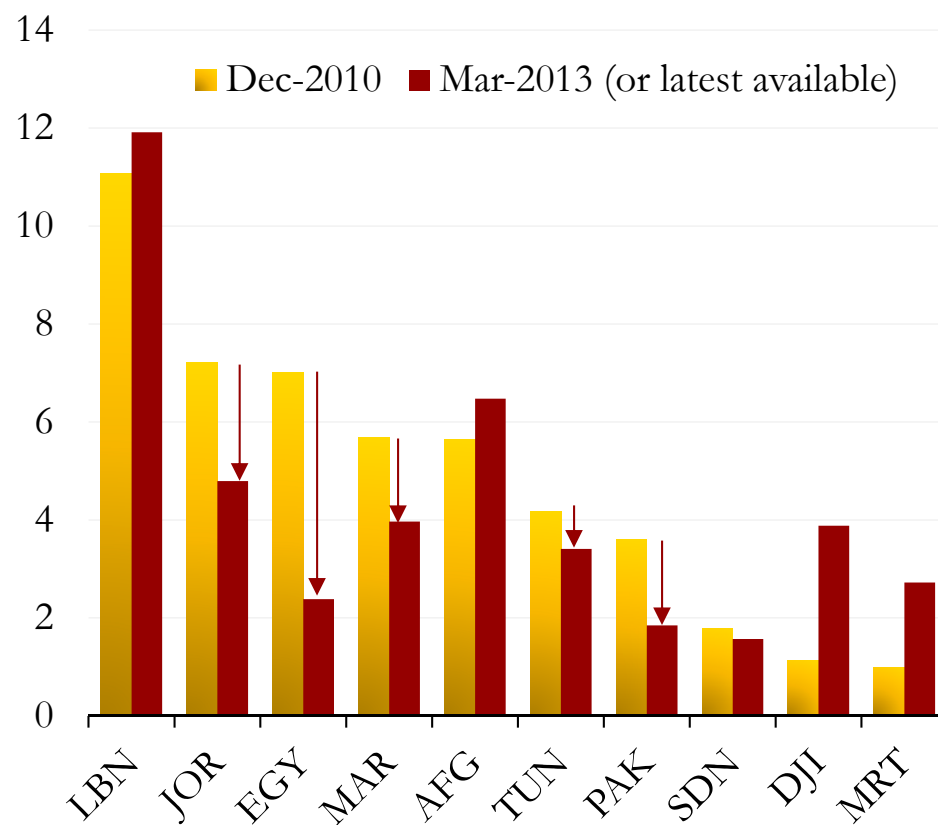


# Meanwhile, high fiscal deficits, rising debt, and diminished reserves imply difficult policy decisions

**Fiscal balance**  
(Percent of GDP)



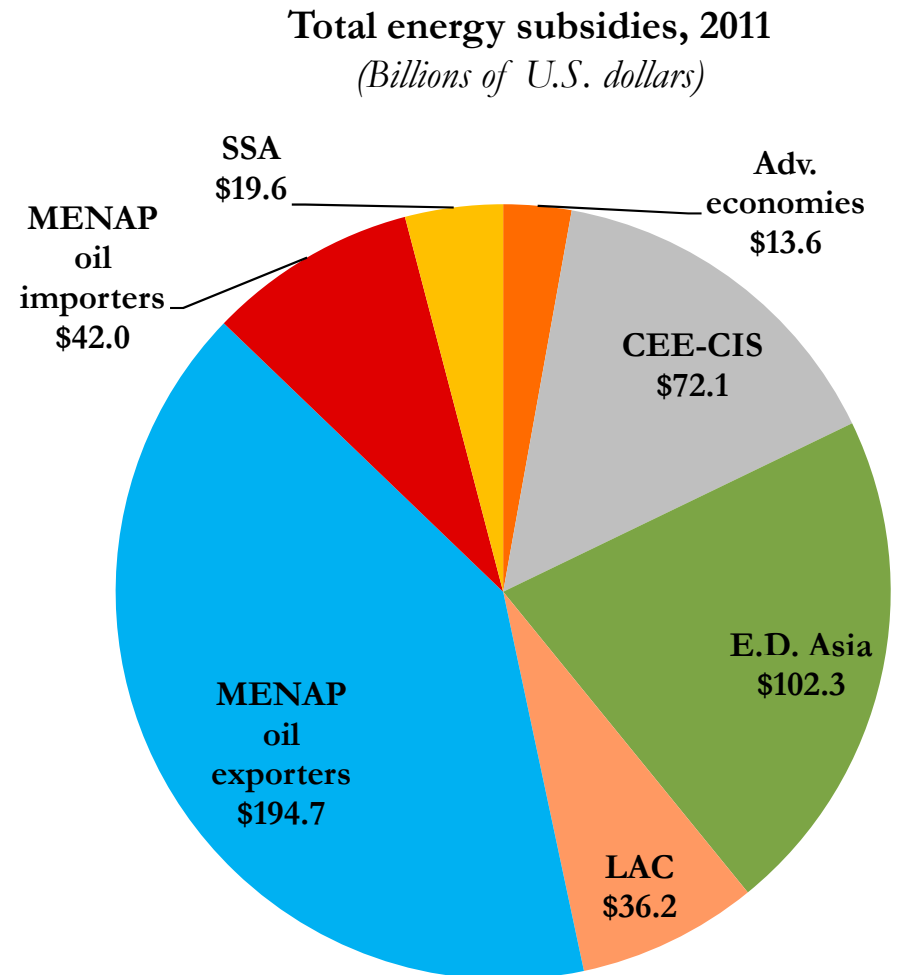
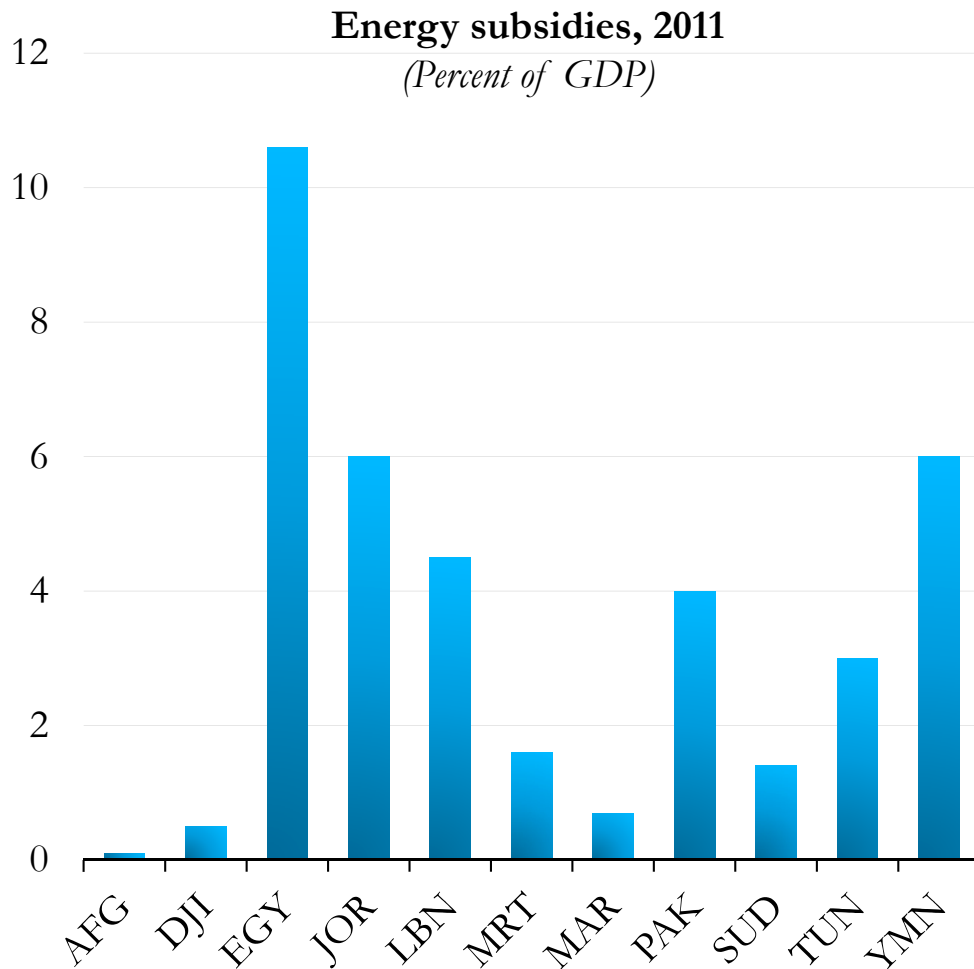
**Gross international reserves**  
(Months of imports)



Sources: National authorities; and IMF staff calculations.



# Recommendations: Subsidy reform will create fiscal space for better targeted social assistance and...



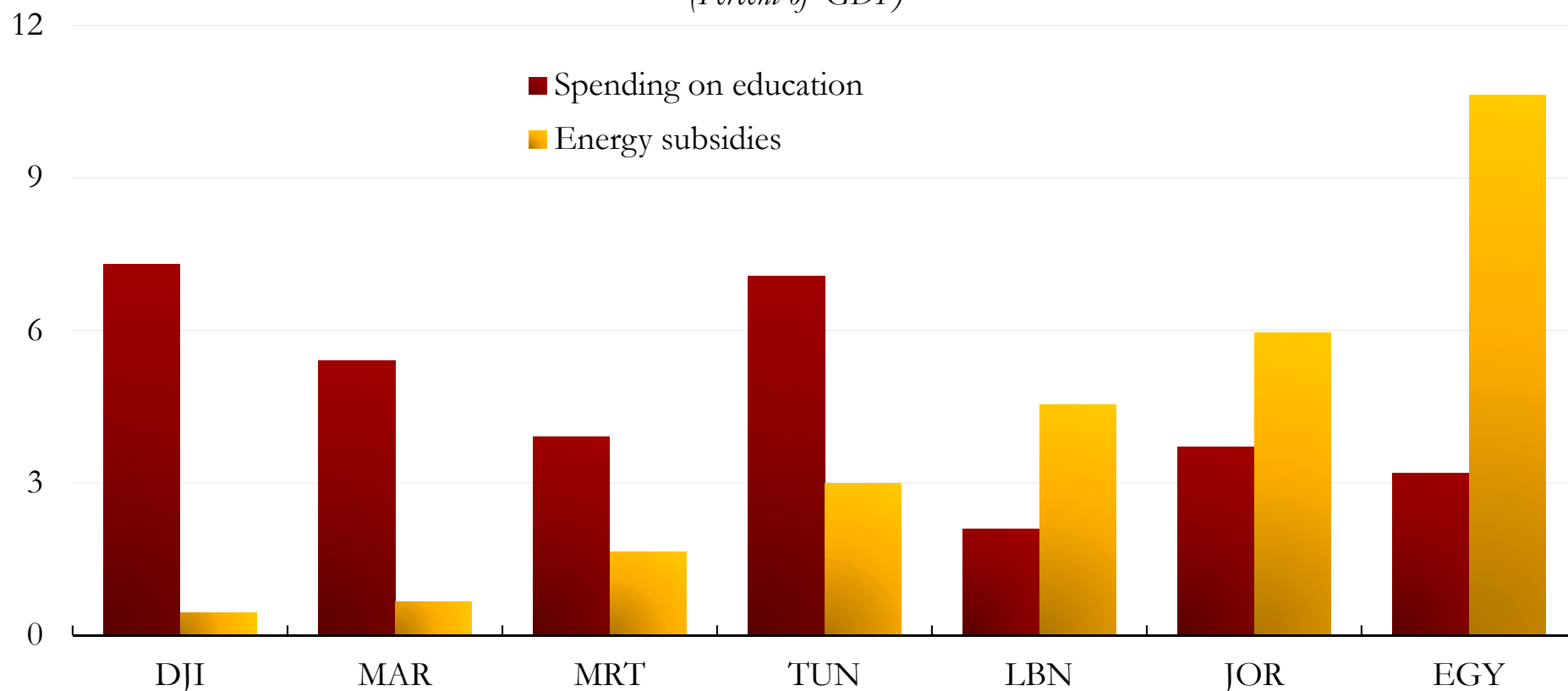
Sources: National authorities; and IMF staff calculations.



*MENAP oil importers*

# ...shifting the focus of public expenditure away from subsidies towards education...

Energy subsidies<sup>1</sup> and spending on education, 2011  
(Percent of GDP)



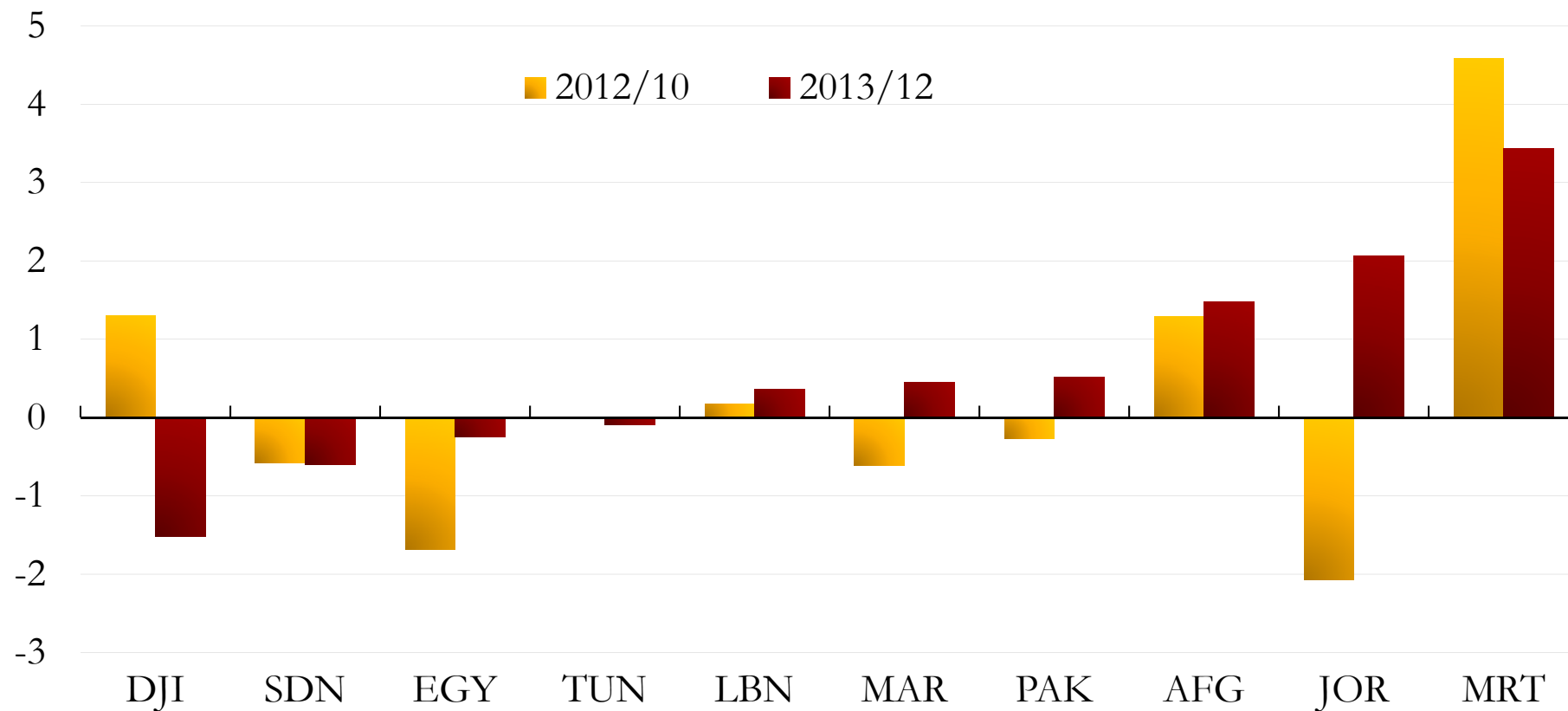
Sources: Staff estimates and national authorities, OECD, IEA, Deutsche Gesellschaft für Internationale Zusammenarbeit, WEO, and World Bank.

<sup>1</sup>Includes petroleum, electricity, natural gas and coal subsidies.



# ...and capital expenditures...

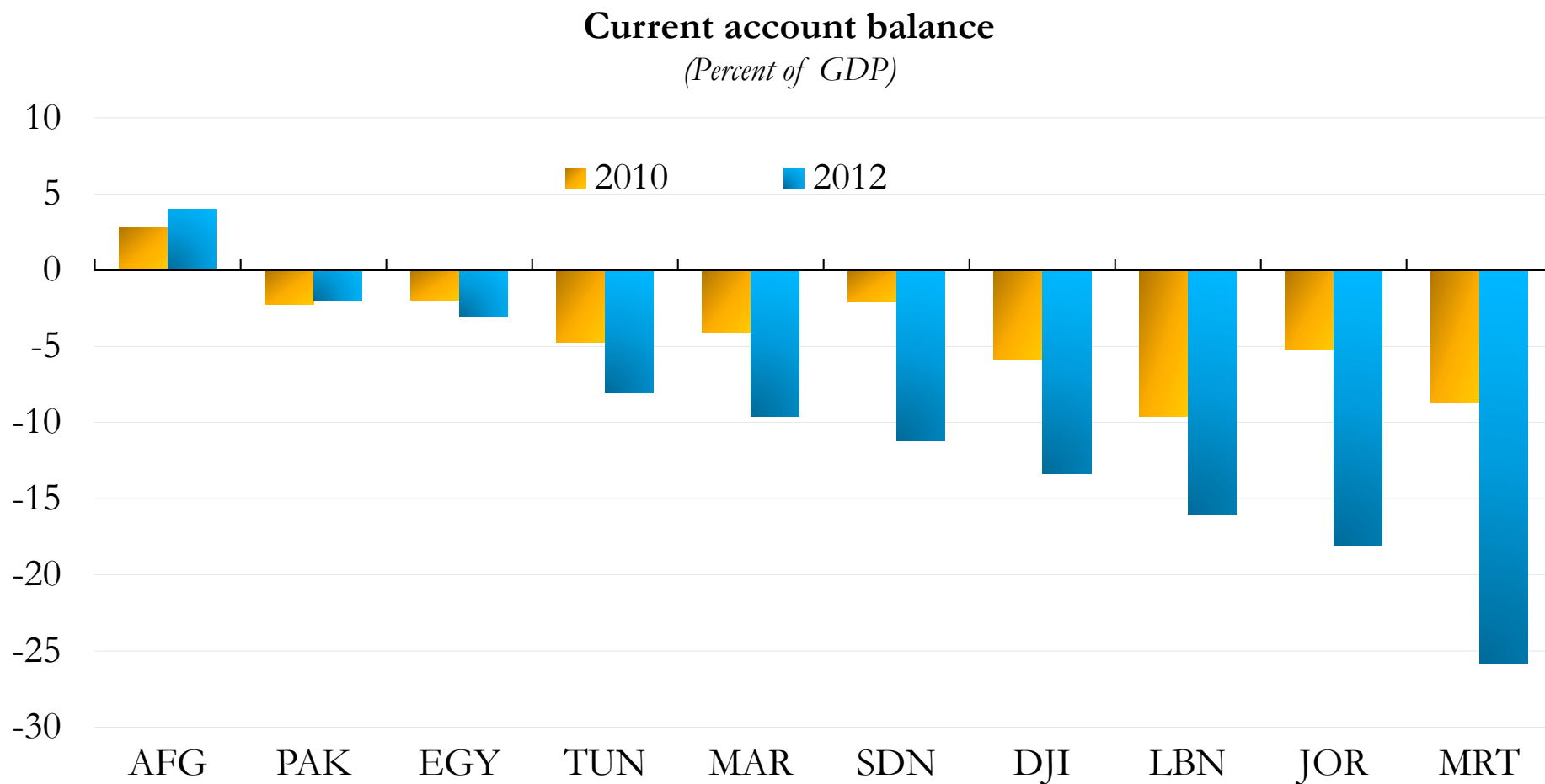
Public capital expenditure  
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.



# Recommendations: Rebuild reserves



Sources: National authorities; and IMF staff calculations.



***MENAP oil importers***

# IMF support will also help

## IMF Engagement

	Afghanistan	Djibouti	Jordan	Mauritania	Morocco	Tunisia
Facility	ECF	ECF	SBA	ECF	PLL	SBA
Approval	11/14/2011	9/18/2008	8/3/2012	3/15/2010	8/3/2012	...
Duration	36 months	45 months	36 months	36 months	24 months	24 months
Access (SDR million)	85	22	1,364	77	4,117	1,140
(percent of quota)	53	140	800	120	700	400
Precautionary/disbursing	Disbursing	Disbursing	Disbursing	Disbursing	Precautionary	Disbursing
Disbursed to date (percent of total)	28%	100%	38%	86%	0%	0%

Source: IMF staff estimates.



*MENAP oil importers*

# Medium-term challenges: Structural reforms in MENAP



*Medium-term challenges*



# Takeaways

## ❖ Oil exporters:

- Overall GDP growth slower because of flat oil output, but non-oil growth remains robust
- Important to contain hard to reverse spending to increase resilience to oil price declines

## ❖ Oil importers:

- Only a moderate recovery is underway; buffers are running low in some countries
- Focus on maintaining macroeconomic stability: better targeted subsidies will support fiscal consolidation; protect reserves
- Deliver quick wins on structural reforms for higher and inclusive growth