



MIDDLE EAST AND CENTRAL ASIA DEPARTMENT



Regional Economic Outlook Fall 2024

CHAPTER 1

DECEMBER, 2024

Regional Analytics and Strategy Division
Middle East and Central Asia Department



Recent Developments

The escalation of the conflict in the Middle East has had a devastating impact

Immense human toll since October 2023

Oil price volatility has heightened but prices remain below pre-October 2023 levels

Reduced tourism is a key channel of transmission to the real economy

As of mid-October 2024:

Gaza

- More than 42,000 fatalities
- More than 1.9 million displaced

Lebanon

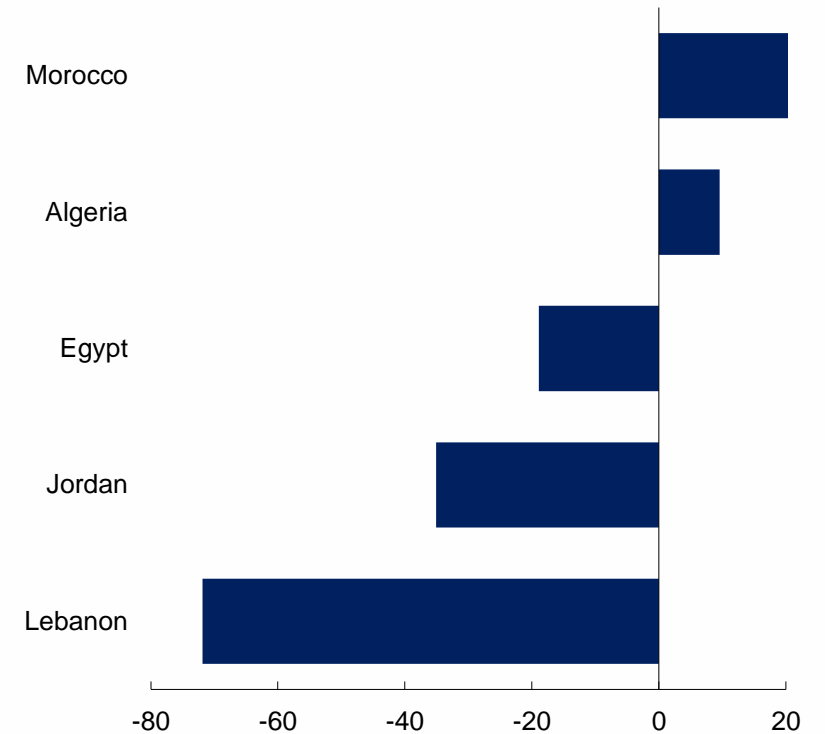
- More than 2,300 fatalities
- More than 1 million displaced

Brent Oil Spot Price
(USD per barrel)



Source: Bloomberg BP.

Hotel Occupancy, Sep 24 vs Sep 23
(Percent difference in the change in hotel occupancy rate)



Sources: Smith Travel Research; PortWatch; and IMF staff calculations.
Note: The occupancy rate is calculated as occupied rooms as a percent of available rooms. The percent difference is calculated as the change in the hotel occupancy rate between the third week of September 2023 and third week of September 2024, versus the same change from September 2022 to September 2023.

Growth in MENA has been held back by oil production cuts, conflicts, and shocks, while growth in the CCA remains robust

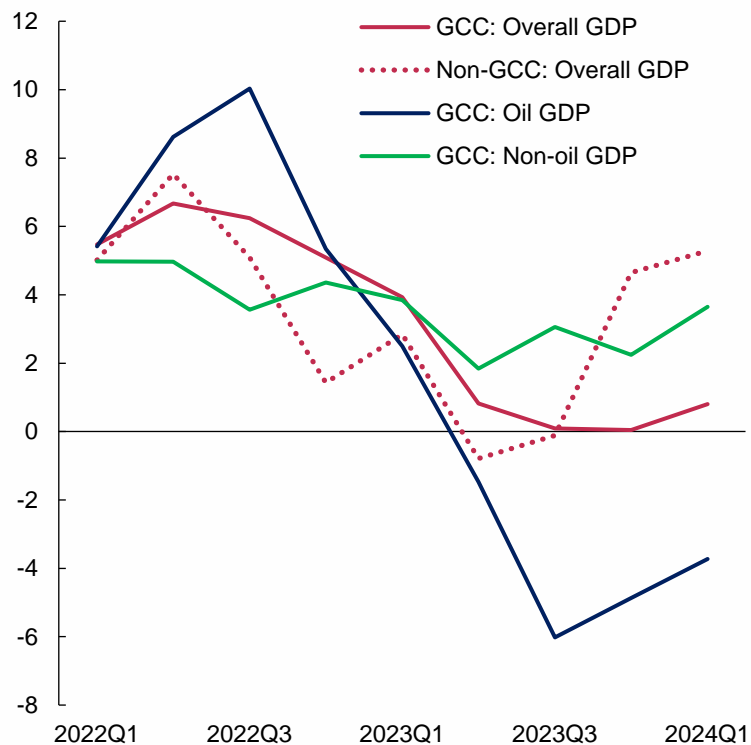
Growth for MENA oil exporters has been supported by nonhydrocarbon activity amid voluntary oil production cuts

Several factors have weighed on growth in MENA oil importers, despite resilience to shocks

Across CCA economies, growth has remained robust

Oil Exporters: Quarterly Real GDP Growth

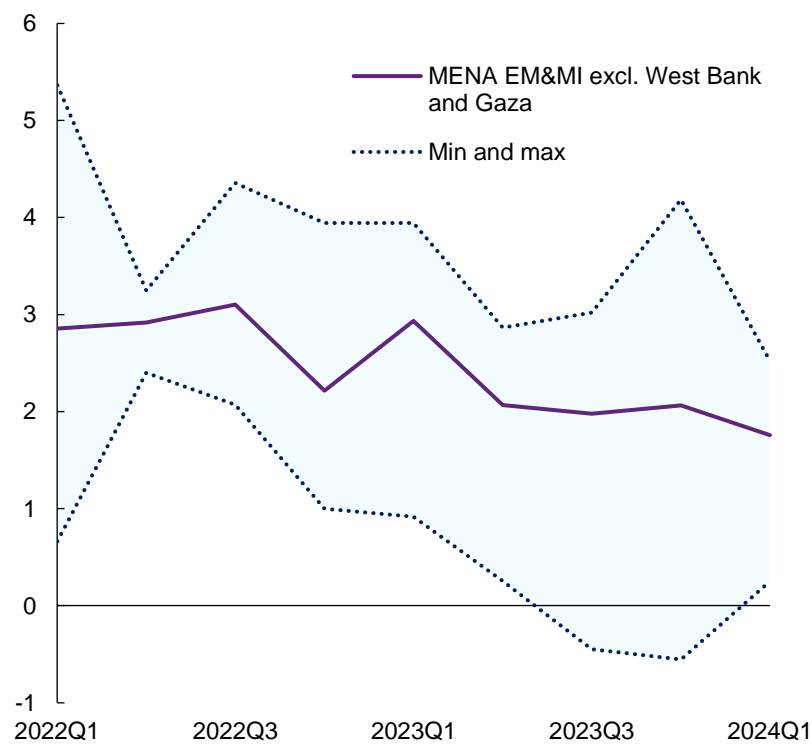
(Year-over-year percent change, simple averages)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: GCC = Gulf Cooperation Council.

Oil Importers: Quarterly Real GDP Growth

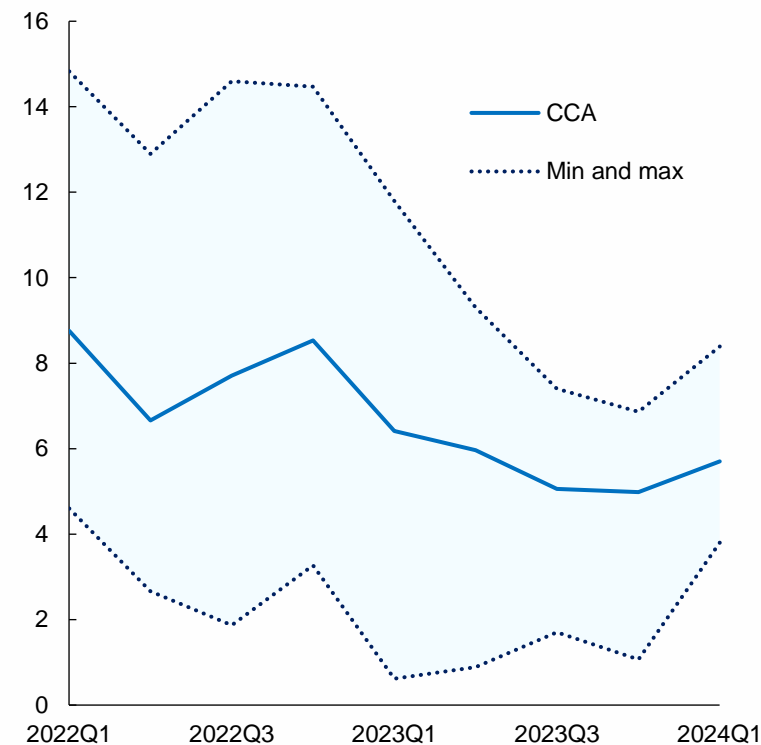
(Year-over-year percent change, simple averages)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Countries in the chart's grouping include Egypt, Jordan, Morocco, and Tunisia. EM&MI = emerging market and middle-income economies; MENA = Middle East and North Africa.

CCA: Quarterly Real GDP Growth

(Year-over-year percent change, simple averages)

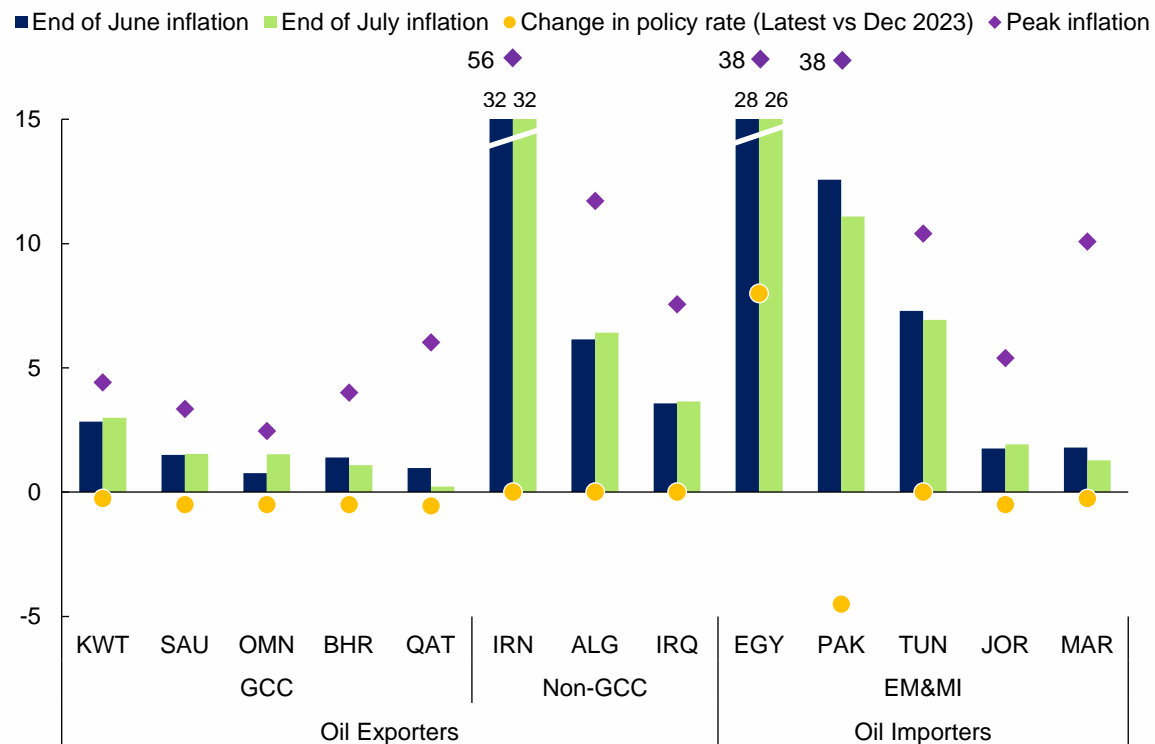


Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Countries in the chart's grouping include Armenia, Azerbaijan, Georgia and Kazakhstan. CCA = Caucasus and Central Asia.

In line with global trends, disinflation has generally continued in most countries with few exceptions

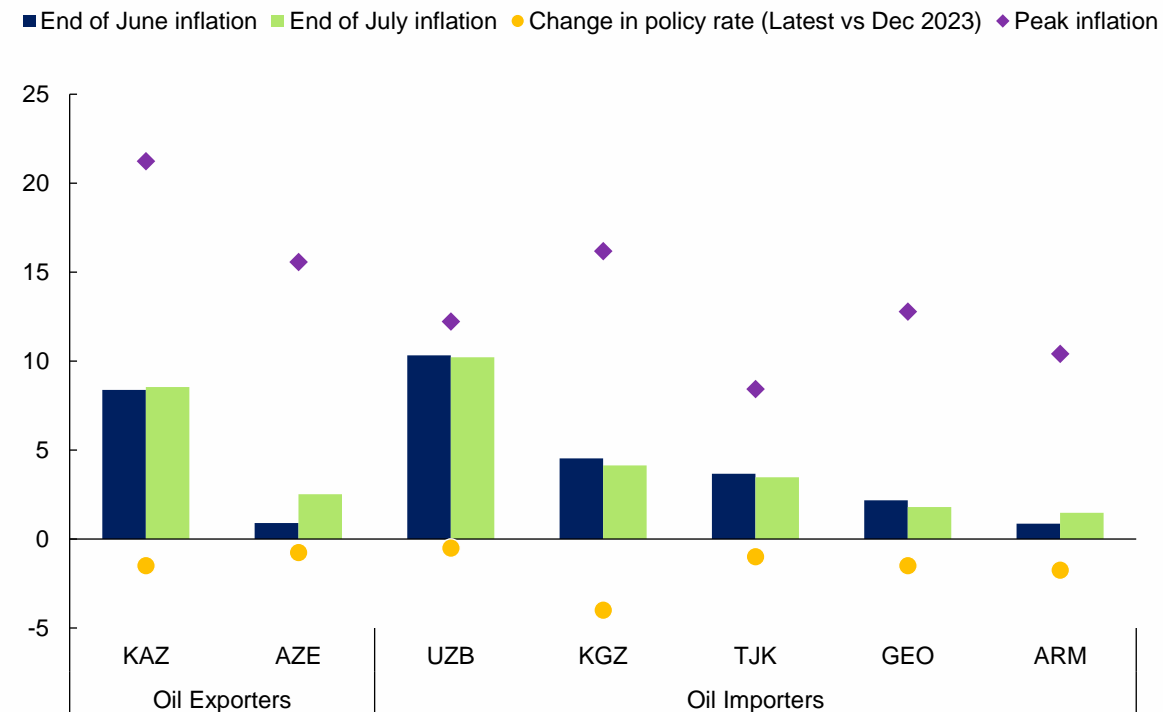
Inflation has come down across most MENA economies but remains elevated in a few cases

MENA & PAK EM&MI: Headline CPI and Change in Policy Rate
(Year-over-year percent change)



A similar trend is seen in the CCA where a loosening cycle has also begun in a few countries

CCA: Headline CPI and Change in Policy Rate
(Year-over-year percent change)



Sources: Haver Analytics; and IMF staff calculations.

Outlook

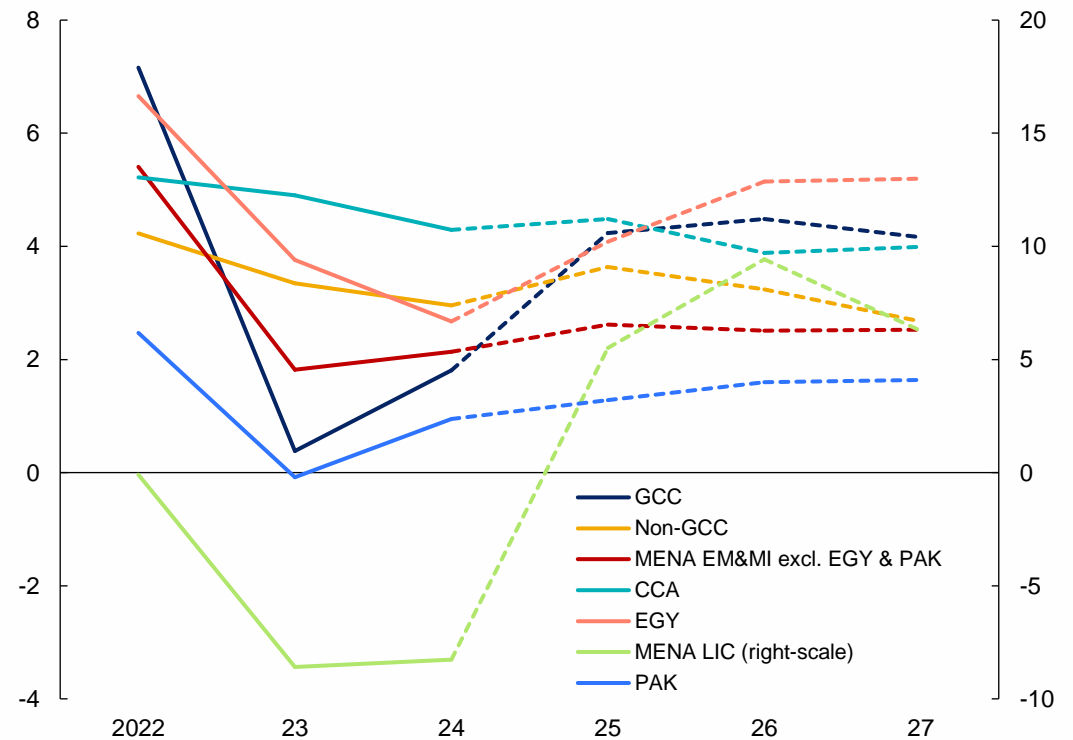
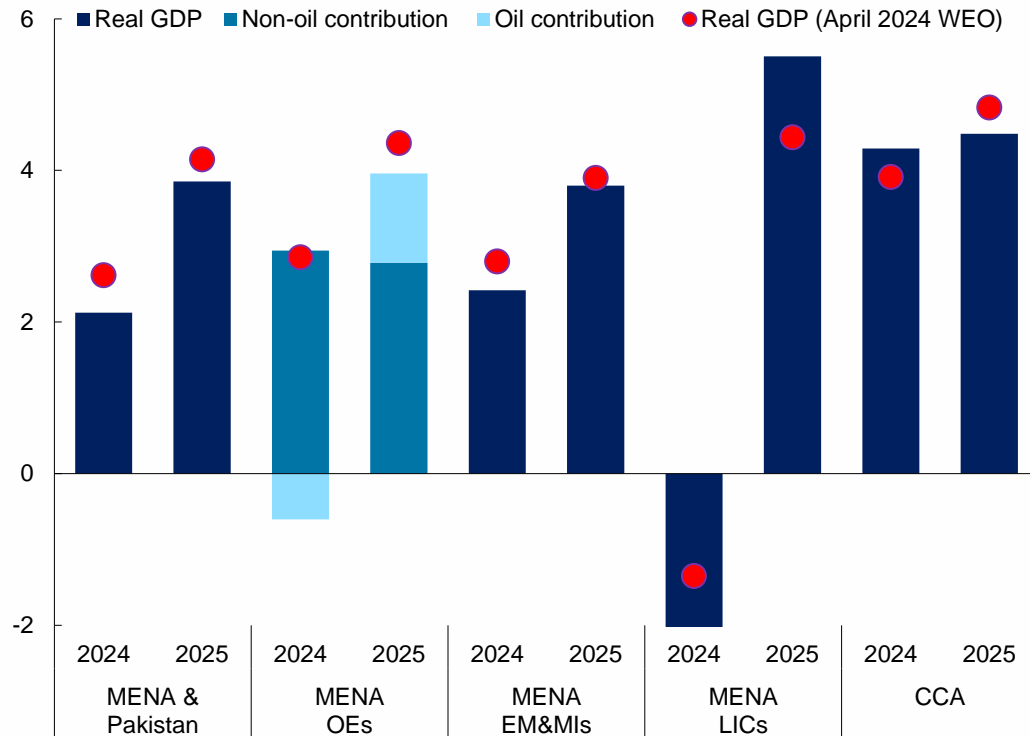
Near-term outlook is diverging across MENA and the CCA, yet medium-term growth is projected to moderate for most economies

Near-term growth prospects subdued in MENA and robust in the CCA

Growth over the medium term held back by structural gaps in several economies

Real GDP Growth
(Year-over-year percent change)

Real GDP Growth Projections, 2024-29
(Year-over-year percent change)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: CCA = Caucasus and Central Asia; EM&MIs = emerging market and middle-income economies; LICs = low-income countries; MENA = Middle East and North Africa; OEs = oil exporters.

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Countries weighted using purchasing power in international dollar weights. CCA = Caucasus and Central Asia; GCC = Gulf Cooperation Council; MENA = Middle East and North Africa. EM&MI = Emerging market and middle-income countries; LIC = low-income countries.

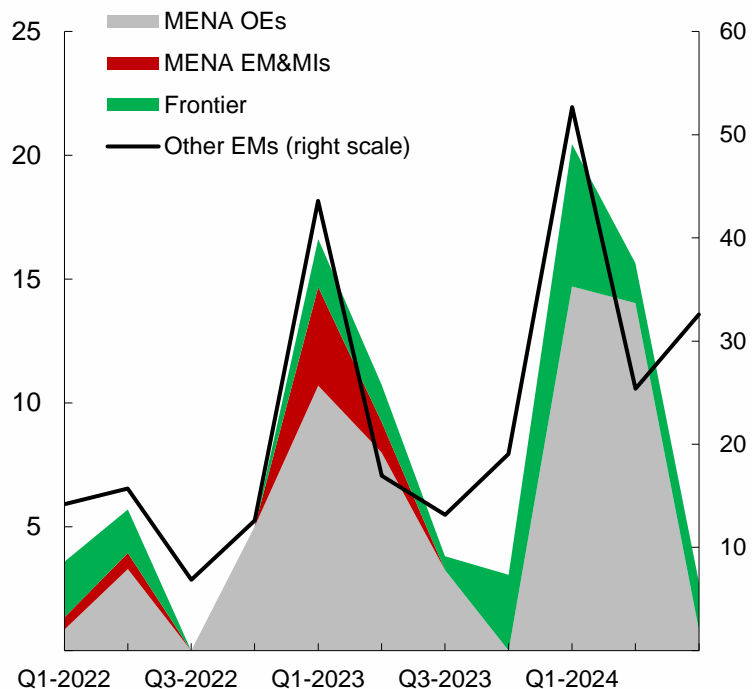
For MENA EM&Ms and LICs, financing challenges are likely to persist

MENA EM&Ms did not return to external debt markets when other emerging markets and oil exporters did

Financing needs are projected to remain high for some emerging market economies...

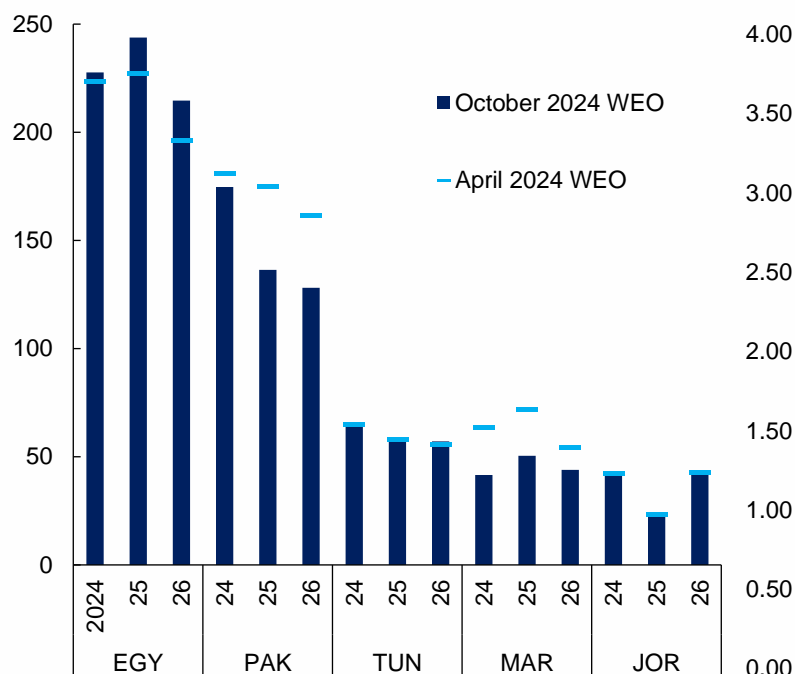
... and grants are expected to plateau for low-income countries

MENA, EM, and Frontier Markets Sovereign International Bond Issuance
(Billions of dollars, total)



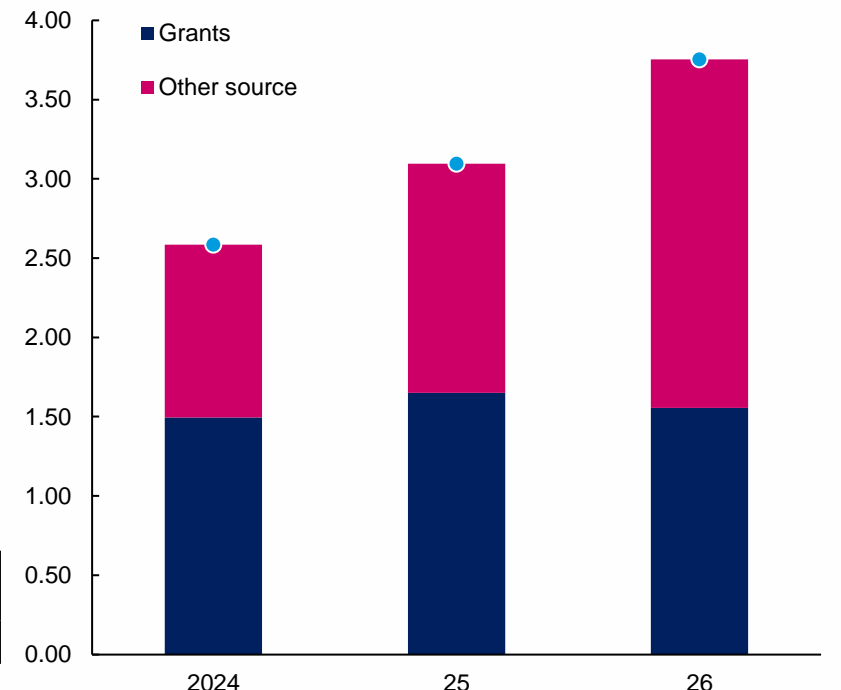
Sources: BondRadar; and IMF staff calculations.
Note: Frontier markets include countries covered in the JPMorgan Next Generation Markets Index (NEXGEM).

MENA EM&Ms: Public Gross Financing Needs
(Percent of fiscal revenue)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

MENA LICs: Public Gross Financing Needs and Financing Sources
(Billions of dollars, total)

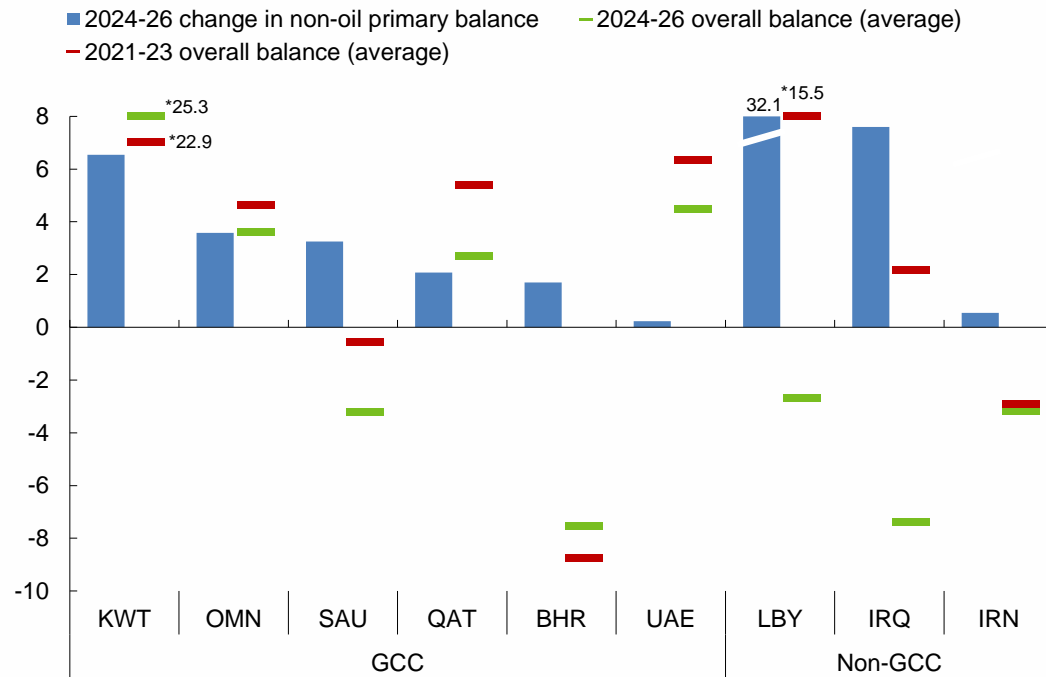


Sources: IMF, World Economic Outlook database; and IMF staff calculations.

For MENA oil exporters, less cushion from twin surpluses but buffers remaining comfortable

Fiscal consolidation continues in most countries amid weaker overall balances due to lower oil revenues

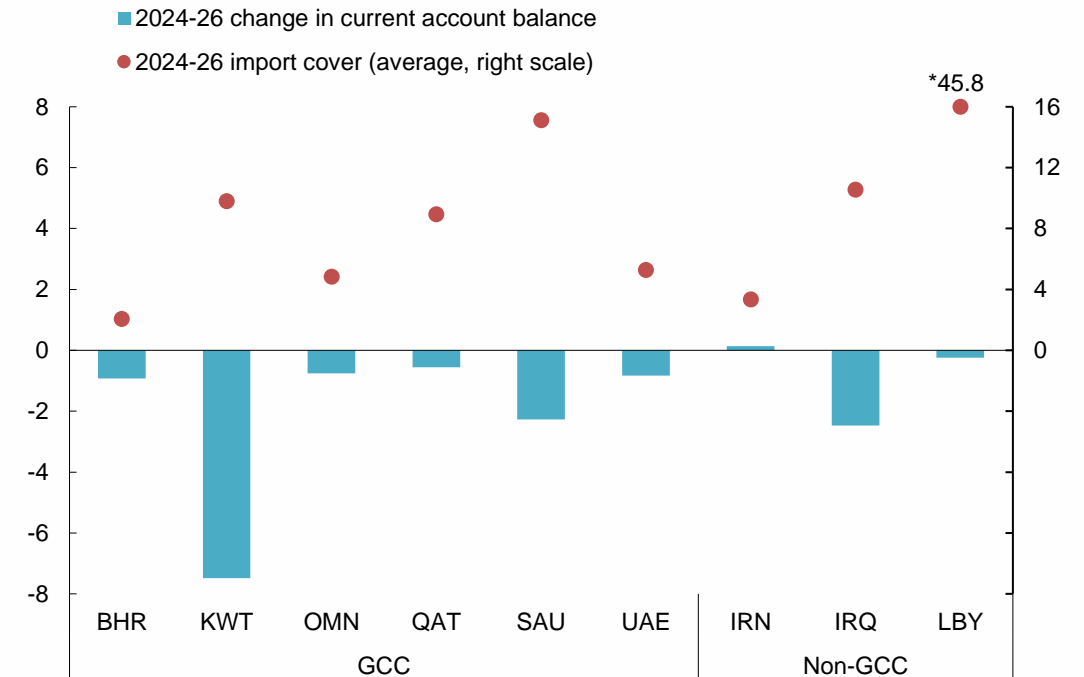
MENA OEs: Change in Non-oil Primary and Overall Balances, 2024–26
(Non-oil primary balance in percent of non-oil GDP; overall balance in percent of total GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: GCC = Gulf Cooperation Council; OEs = oil exporters. Figures from 2024 onwards represent projections.

Current account surpluses are projected to narrow, but reserve positions are expected to remain adequate

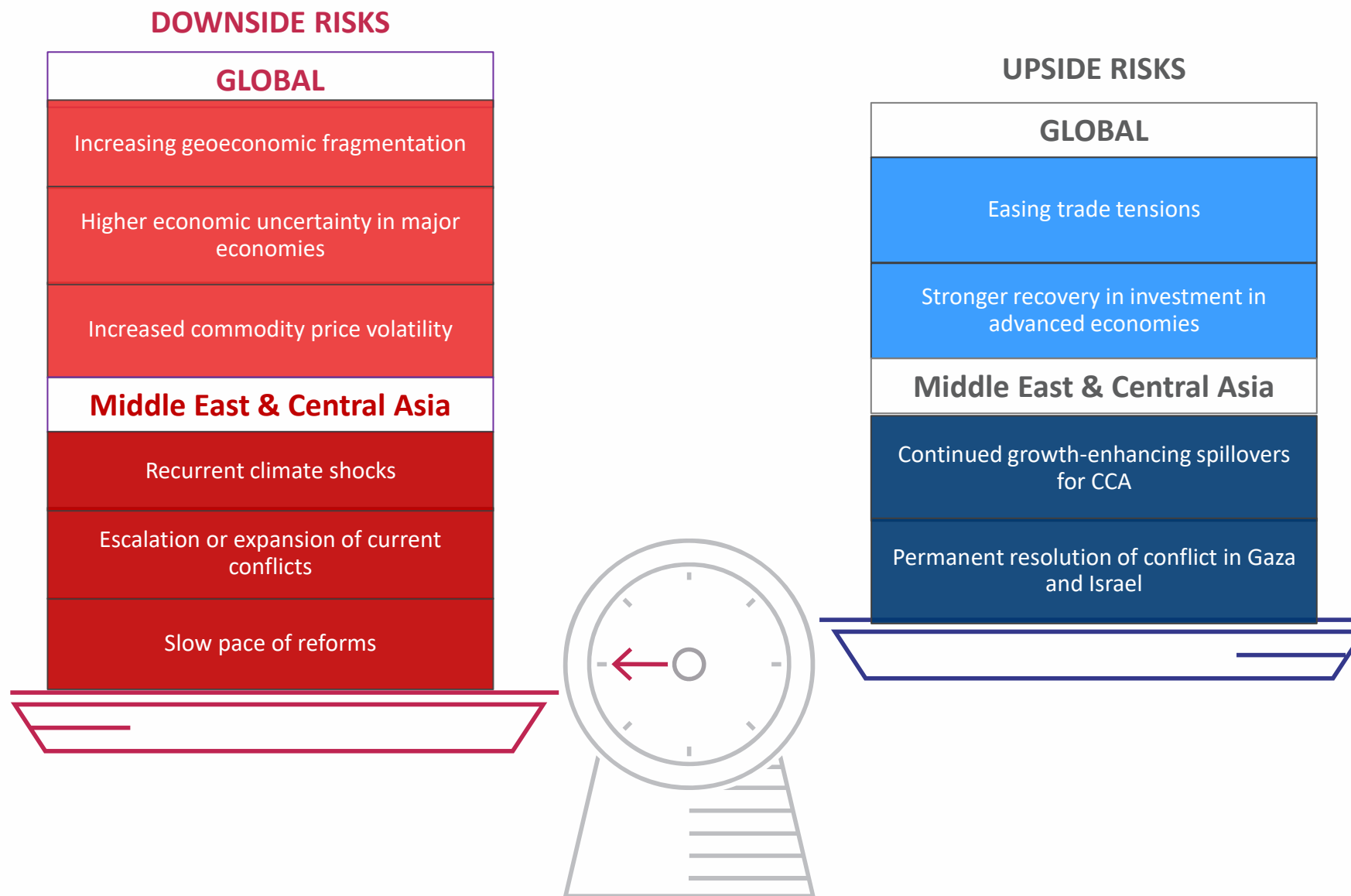
MENA OEs: Change in Current Account Balance and Import Cover, 2024–26
(Current account balance in percent of GDP, import cover in months of imports covered by gross reserves)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: GCC = Gulf Cooperation Council; OEs = oil exporters. Figures from 2024 onwards represent projections.

Risks

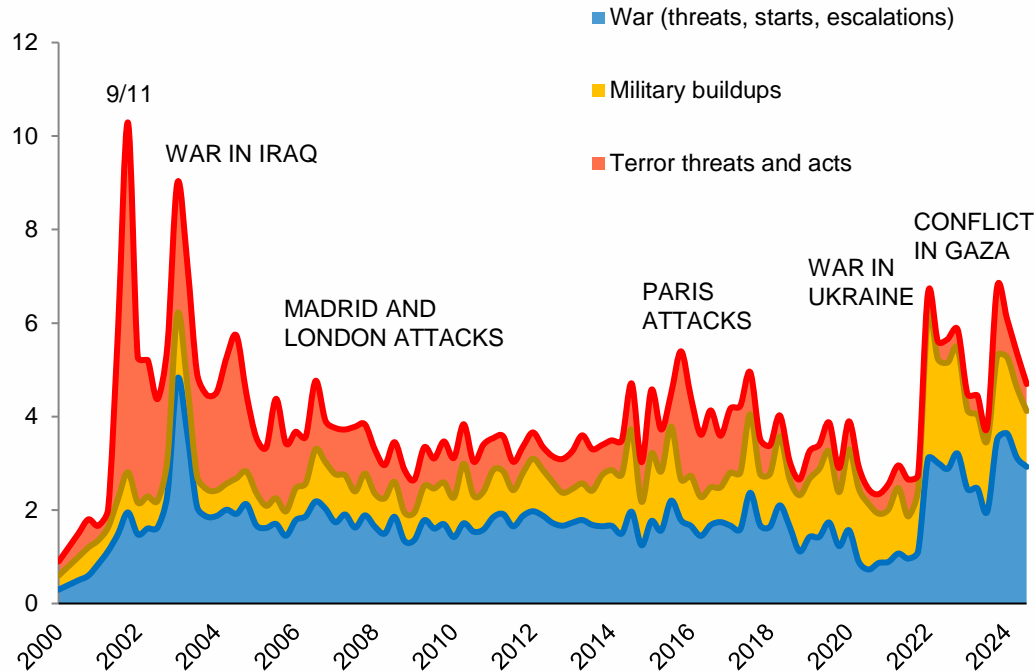
Uncertainty surrounding the outlook is high and risks are tilted to the downside



Potential rises in geoeconomic tensions and conflicts are the two main risks for the near future

Global geopolitical risks remain elevated ...

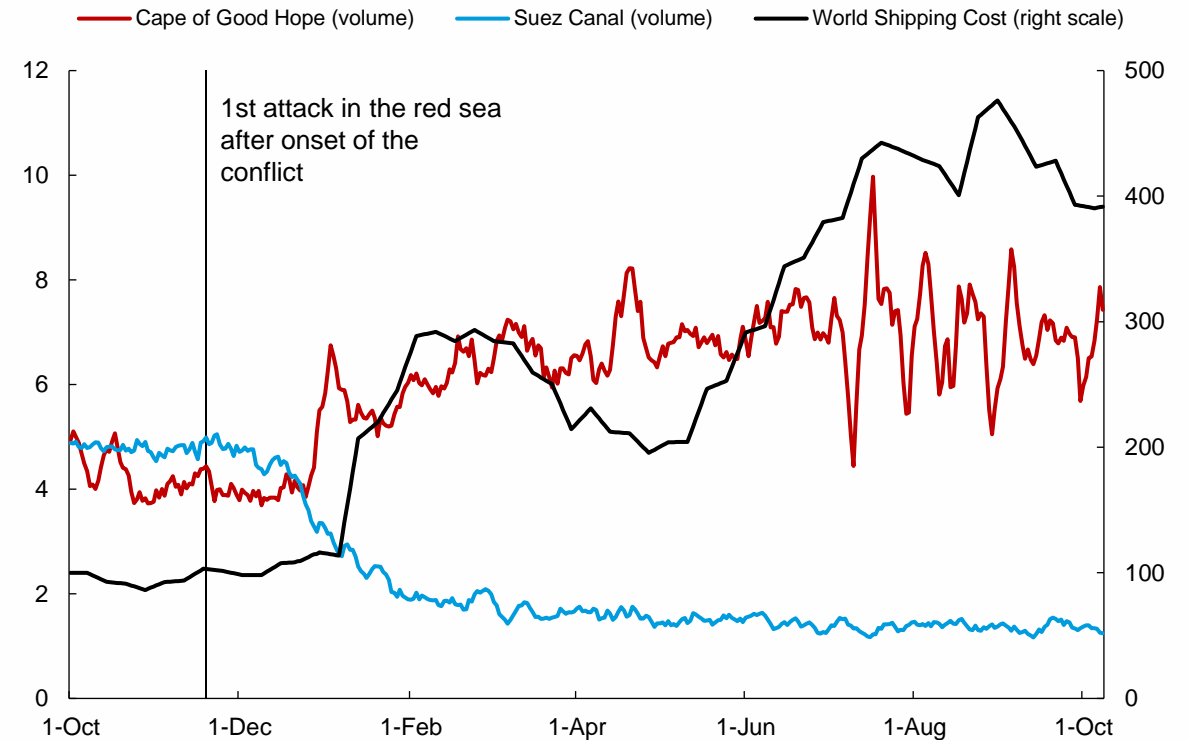
Geopolitical Risk Index
(Index value)



Sources: Caldara and Iacoviello (2022); and IMF staff calculations.

... and regional headwinds related to conflicts continue

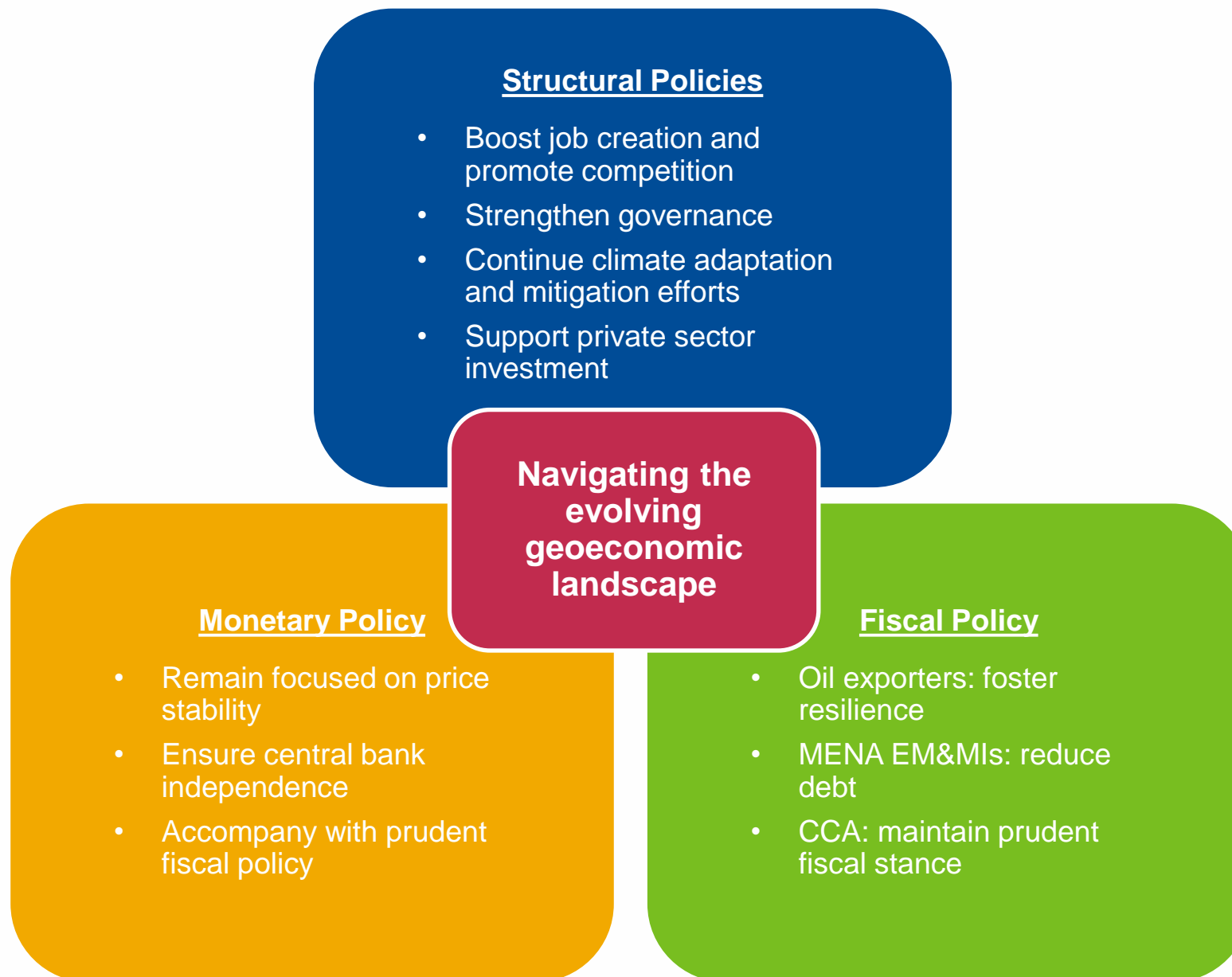
Red Sea Shipping Volume and Cost, 2023-24
(Millions of metric Tons, 7-day moving average; Index, October 1, 2023 = 100)



Sources: Bloomberg Finance L.P.; PortWatch; and IMF staff calculations.

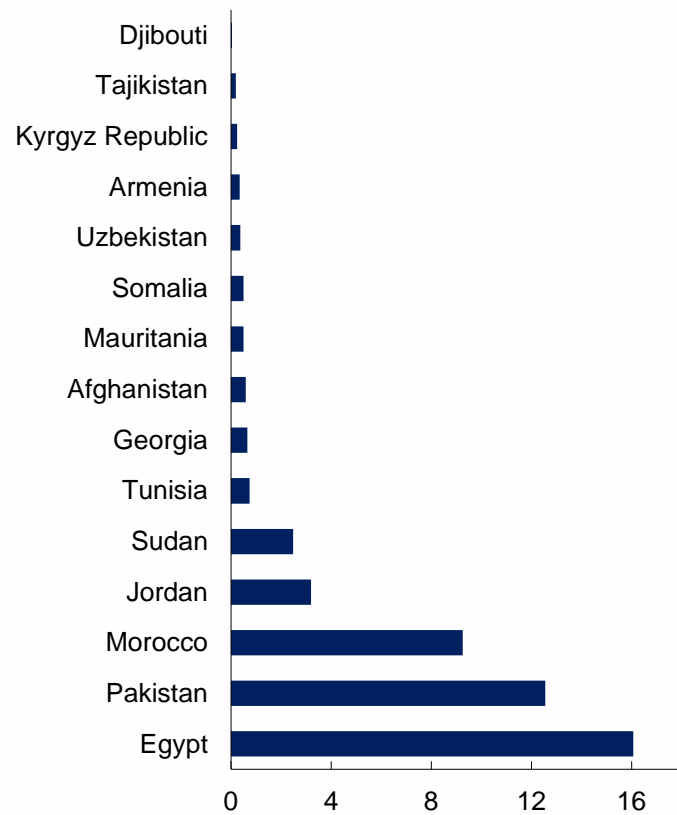
Policy Priorities

Policy flexibility is essential amid shifting headwinds

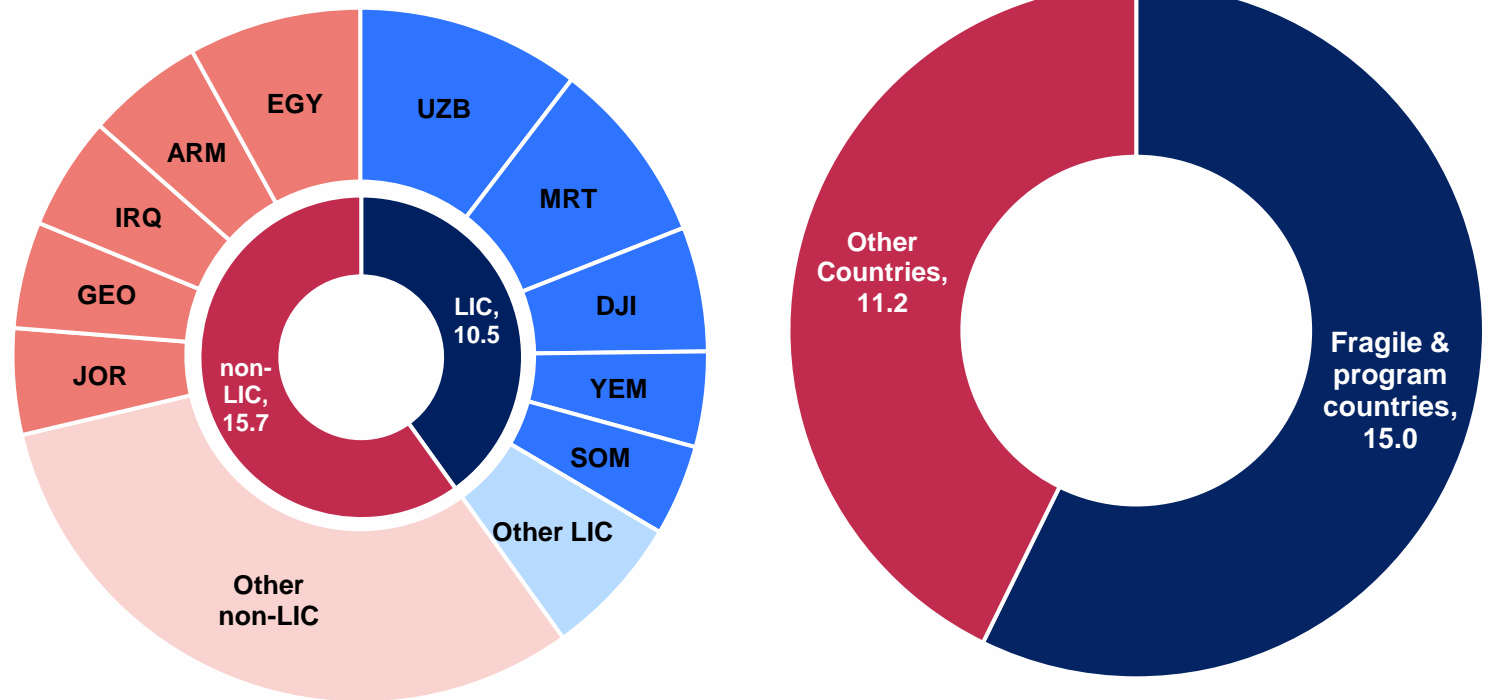


The IMF remains strongly engaged in supporting the region

MENA, Afghanistan, Pakistan, and CCA: IMF Financing since the Pandemic
(March 2020–September 2024, billions of US dollars)



MENA, Afghanistan, Pakistan, and CCA: Capacity Development Spending by Country Groupings
FY2024: 361 projects, 31 countries, 30 workstreams, \$32.6 million



Source: IMF staff calculations.

Note: LICs include Afghanistan, Djibouti, Kyrgyz Republic, Mauritania, Somalia, Sudan, Syria, Tajikistan, Uzbekistan, and Yemen.

Fragile and program countries include Afghanistan, Armenia, Egypt, Georgia, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Pakistan, Somalia, Sudan, West Bank and Gaza, and Yemen.

Data are as of September 17, 2024.

Thank you