Resilience Amid Uncertainty: Will it Last?

DECEMBER 16, 2025

IMF-CEF, KUWAIT CITY

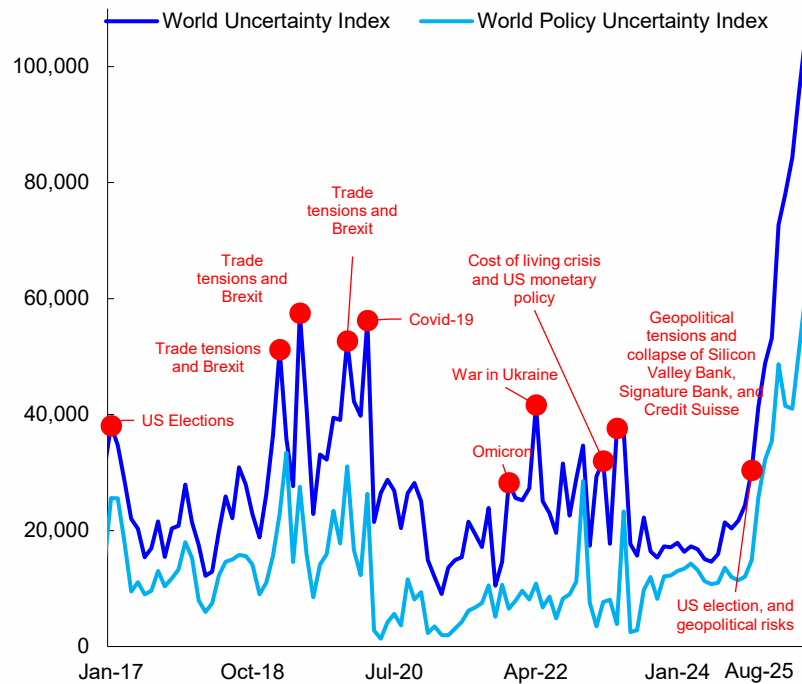**OCTOBER 2025 GLOBAL ECONOMIC OUTLOOK AND CENTRAL ASIA DEPARTMENT**

Recent Global Developments

The early 2025 global uncertainty shock has persisted but with relatively limited impact on global GDP and inflation …

Uncertainty Indices
(Index, GDP-weighted, seventy-one countries)

Legend: World Uncertainty Index; World Policy Uncertainty Index

Annotations: US Elections; Trade tensions and Brexit; Trade tensions and Brexit; Trade tensions and Brexit; Trade tensions and Brexit; Covid-19; Cost of living crisis and US monetary policy; War in Ukraine; Omicron; Geopolitical tensions and collapse of Silicon Valley Bank, Signature Bank, and Credit Suisse; US election, and geopolitical risks

Real GDP Growth, 2025:H1
(Year-over-year percent change)

Legend: Outturn; April 2025 WEO

Headline Inflation
(Year-over-year percent change, 3-month moving average)

Legend: World; Advanced Economies; USA; Emerging markets; China
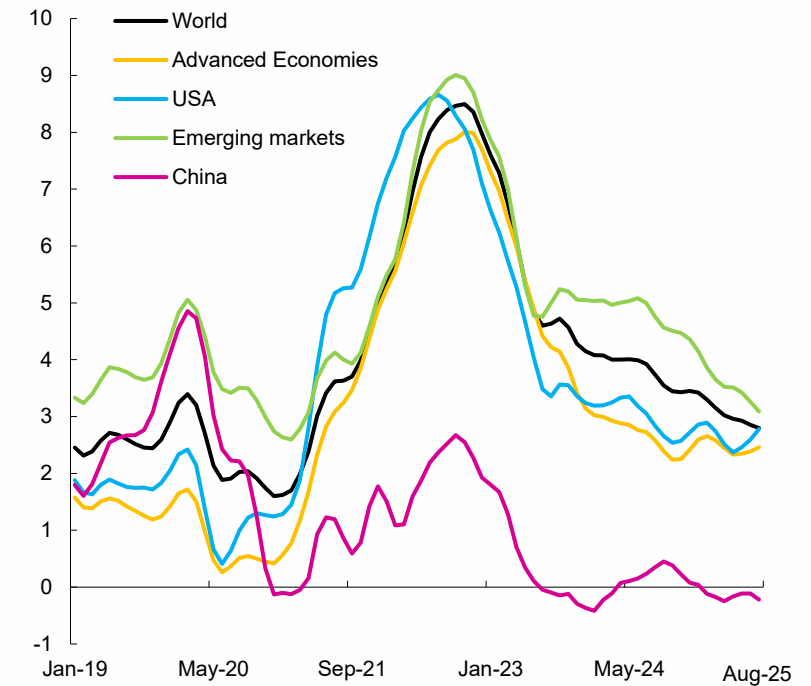
Source: Ahir, H, N Bloom, and D Furceri (2022), "World Uncertainty Index", NBER Working Paper.
Note: The indices include 14 countries in the Middle East and Central Asia region as follows: Algeria, Azerbaijan, Egypt, Iraq, Iran, Kazakhstan, Lebanon, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates.

Sources: Haver Analytics; and IMF, World Economic Outlook.
Note: Half-annual growth rates are calculated using half-annual GDP level data outturns and projections.

Sources: IMF, GDS database.

...with global financial markets brushing off shocks and uncertainties, although with unusual correlations between the US dollar and Treasury yields

Volatility rose in April but has retracted from the peak in April
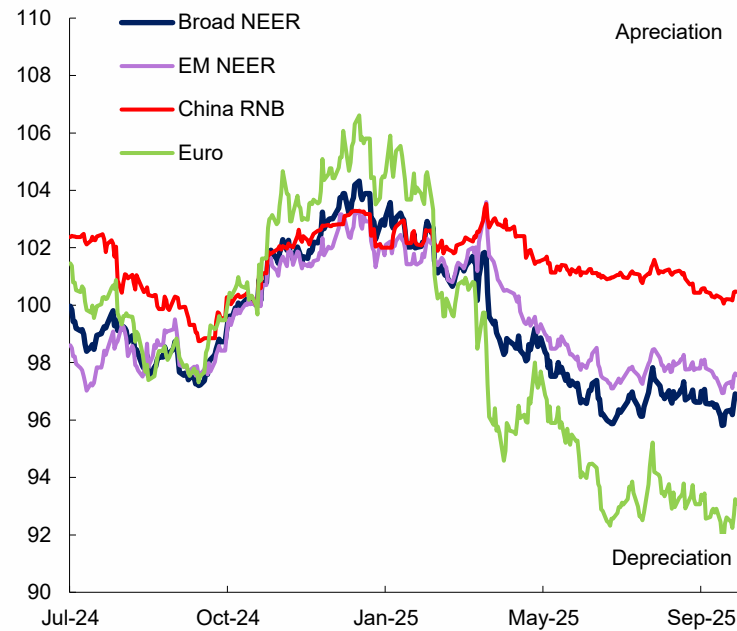
The USD weakness persisted...

...with longer-term US Treasury and Bund yields diverging

Volatility Indices
(Index value)

VIX   OVX
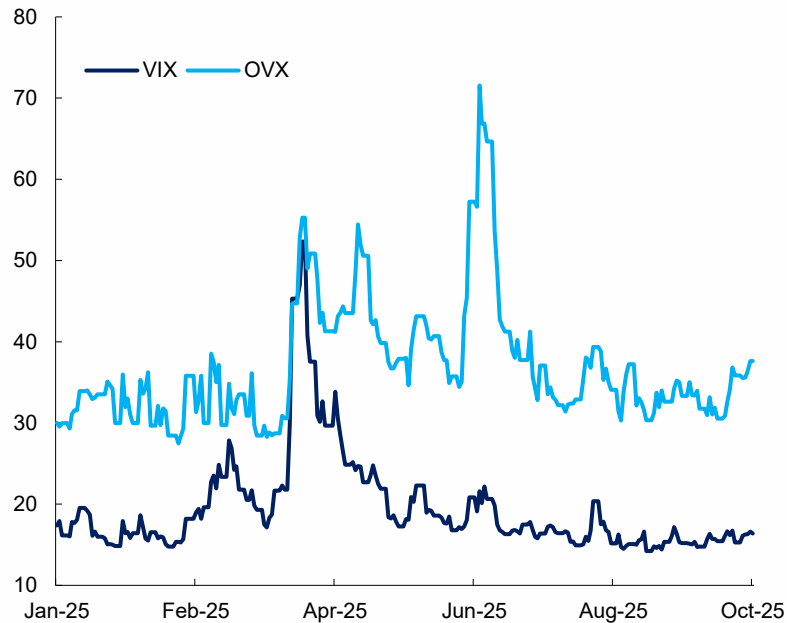
Sources: Bloomberg Finance L.P.
Note: Data as of October 3, 2025.

US Dollar Exchange Rates
(Index, Nov 4th, 2024=100)

Broad NEER
EM NEER
China RNB
Euro

Apreciation

Depreciation

Sources: Haver Analytics; and Federal Reserve Board.
Note: Data as of September 25, 2025.

Ten-year US Treasury and German Bund Yields
(Percent)

US 10-year T-bond yield
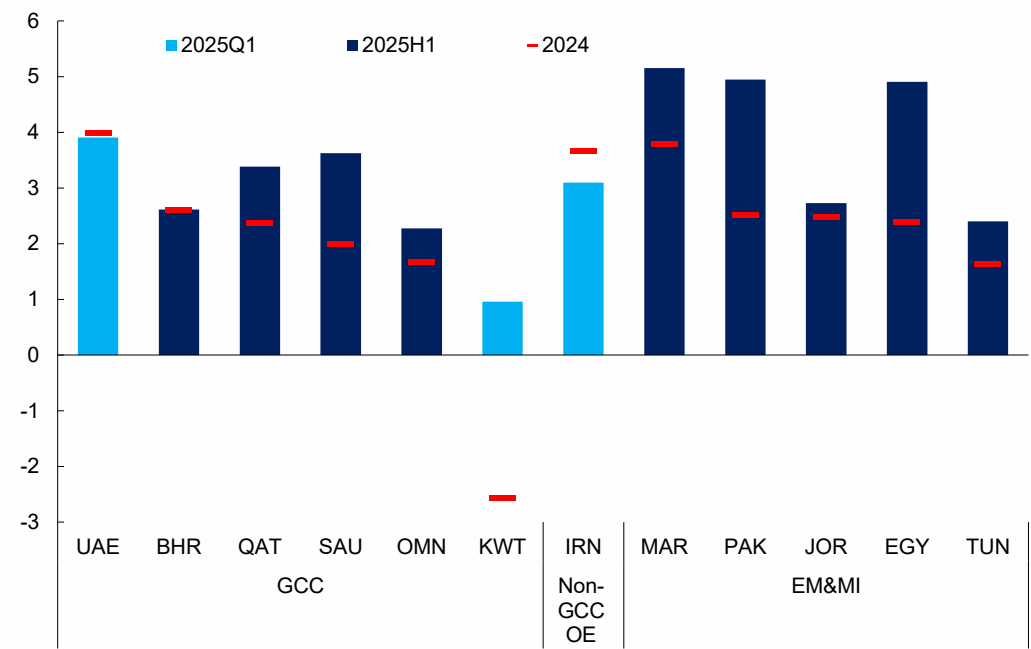German 10-year T-bond yield, right scale

Sources: Bloomberg Finance L.P.; and IMF, World Economic Outlook.
Note: Data as of October 3, 2025.

Recent Developments in MENAP

Economic activity has been generally resilient in H1, while inflation slowed in MENA and accelerated in CCA
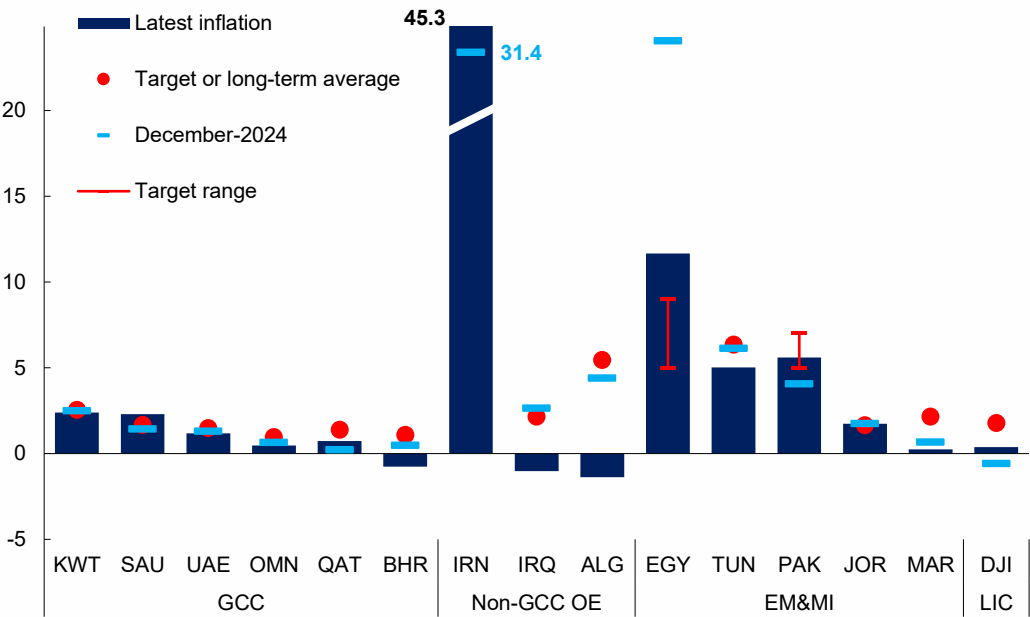
Real GDP growth generally strong in H1….

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

Sources: Haver Analytics; national authorities; and IMF staff calculations.

Inflation generally fell in MENAP

Headline Inflation
(Year-over-year percent change)

Sources: Haver Analytics; national authorities; and IMF staff calculations.

Note: Long-term average inflation is for the 2015−24 period.
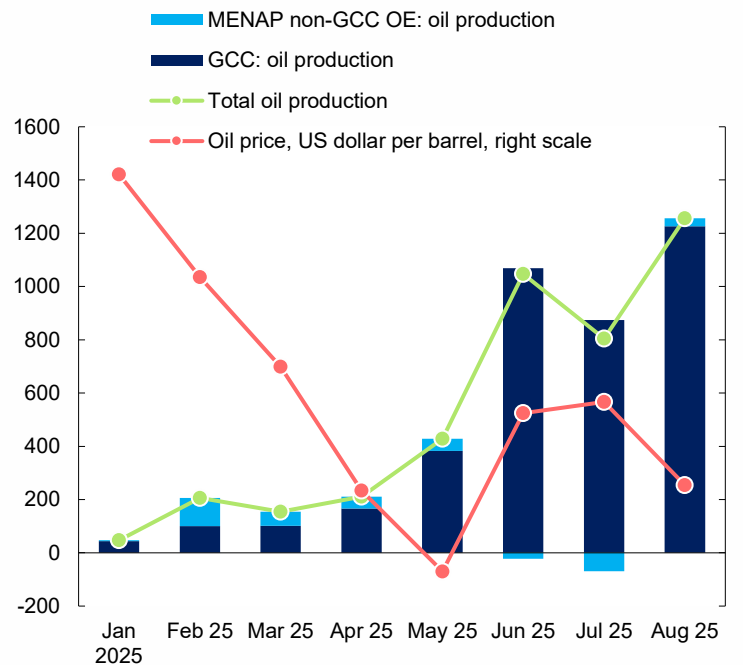
Activity was supported by higher oil production, resilient remittances, and stronger tourism inflows...

OPEC+ accelerated the unwinding of previous production cuts

Remittances remained generally robust

Tourism sector strengthened in 2025

Change in Oil Production since December 2024 and Oil Price
(Thousand barrels per day)

- MENAP non-GCC OE: oil production
- GCC: oil production
- Total oil production
- Oil price, US dollar per barrel, right scale

Inward Remittances
(Index, 2019:Q1=100)

- Egypt
- Morocco
- Pakistan
- Tunisia

Hotel Occupancy Rate
(Percent, 12-month moving average)

- Jordan
- Tunisia
- Morocco
- Lebanon
- Egypt
- Algeria

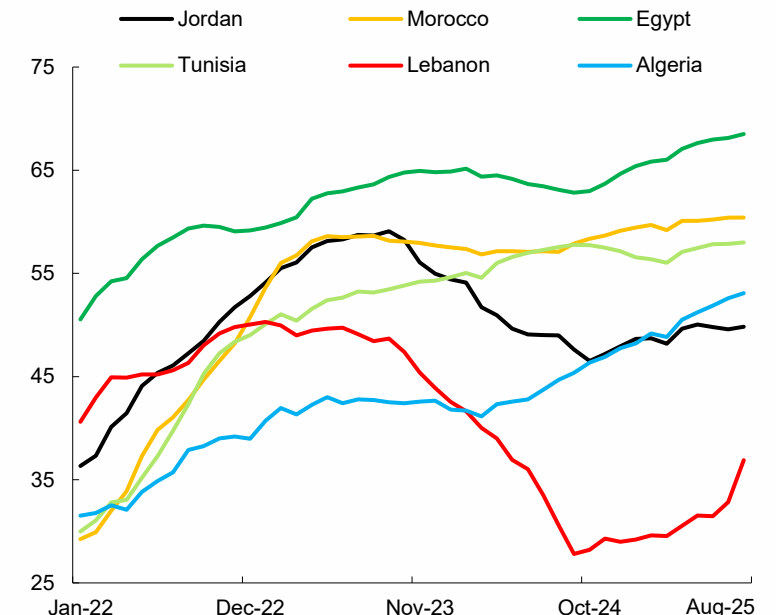Source: Joint Organizations Data Initiative; Haver Analytics; Organization of the Petroleum Exporting Countries; Rystad; and IMF staff calculations.
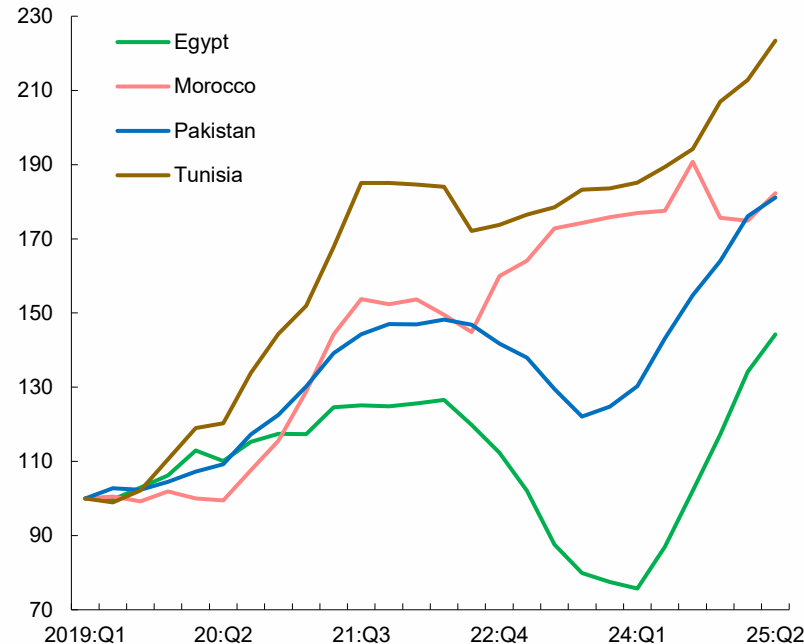
Source: Haver Analytics; IMF, BOP database; and IMF Staff calculations.

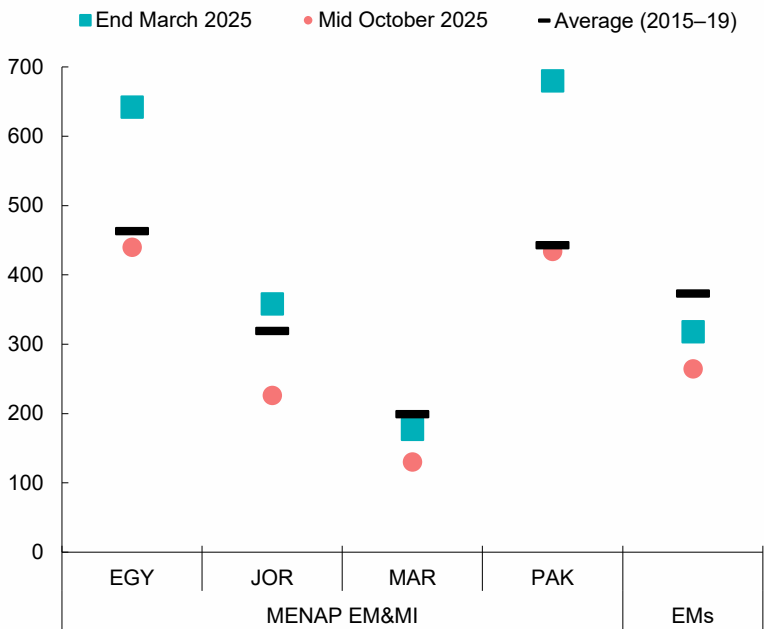Source: CoStar; and IMF Staff calculations.

External financial conditions remained supportive

Sovereign spreads have continued to narrow since spring…

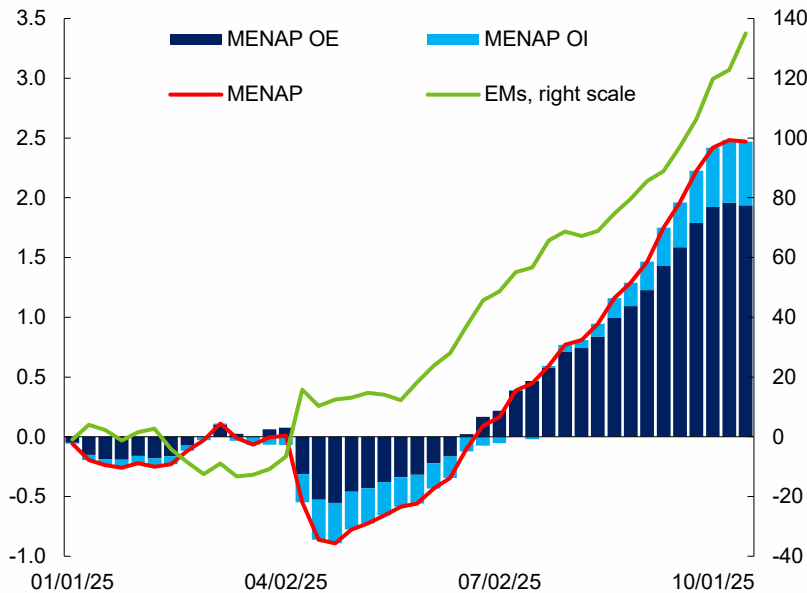**….portfolio net inflows picked up over the last few months …**

…and international bond issuances as of August have almost equaled the total for 2024

Sovereign Spreads
(Basis points)

Legend: ■ End March 2025 ● Mid October 2025 ▬ Average (2015–19)

Categories: EGY, JOR, MAR, PAK (MENAP EM&MI), EMs

Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Data are updated as of October 17, 2025.

EPFR Cumulative Weekly Portfolio Flows
(Billions of US dollars, since Jan. 2025)

Legend: ■ MENAP OE ■ MENAP OI — MENAP — EMs, right scale

X-axis: 01/01/25, 04/02/25, 07/02/25, 10/01/25

Sources: Haver Analytics; and IMF staff calculations.
Note: Data are updated on October 17, 2025.

Sovereign Eurobond Issuances
(Billions of USD)
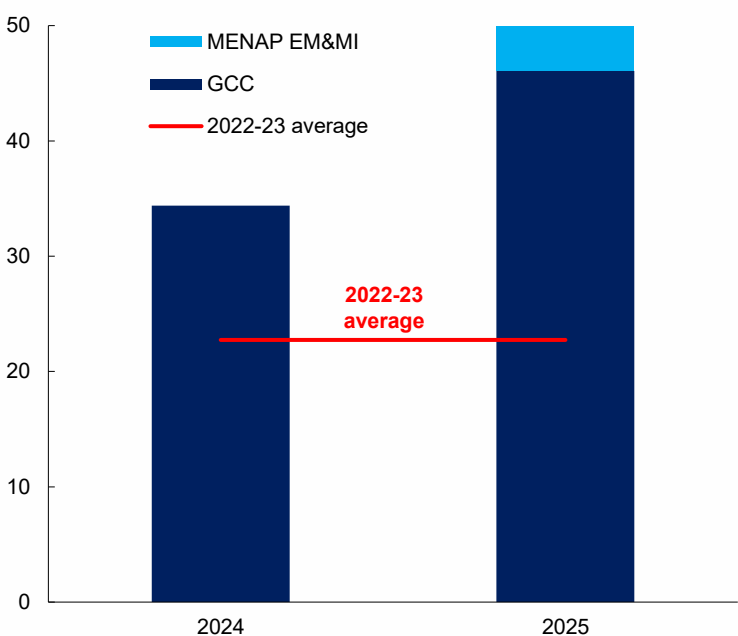
Legend: ■ MENAP EM&MI ■ GCC — 2022-23 average

2022-23 average

Categories: 2024, 2025

Sources: Bloomberg Finance L.P.; and IMF staff calculations.
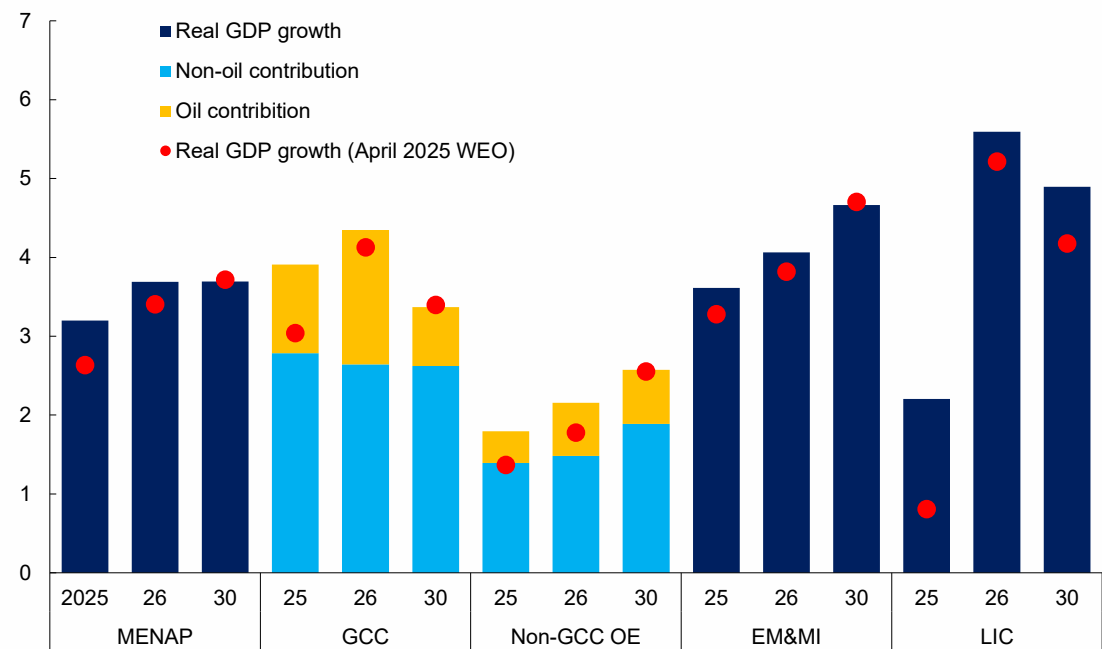Note: Data are updated on October 17, 2025.

Outlook

Growth projections in 2025 were revised upward for many MENA and CCA economies, inflation is projected to moderate in both regions

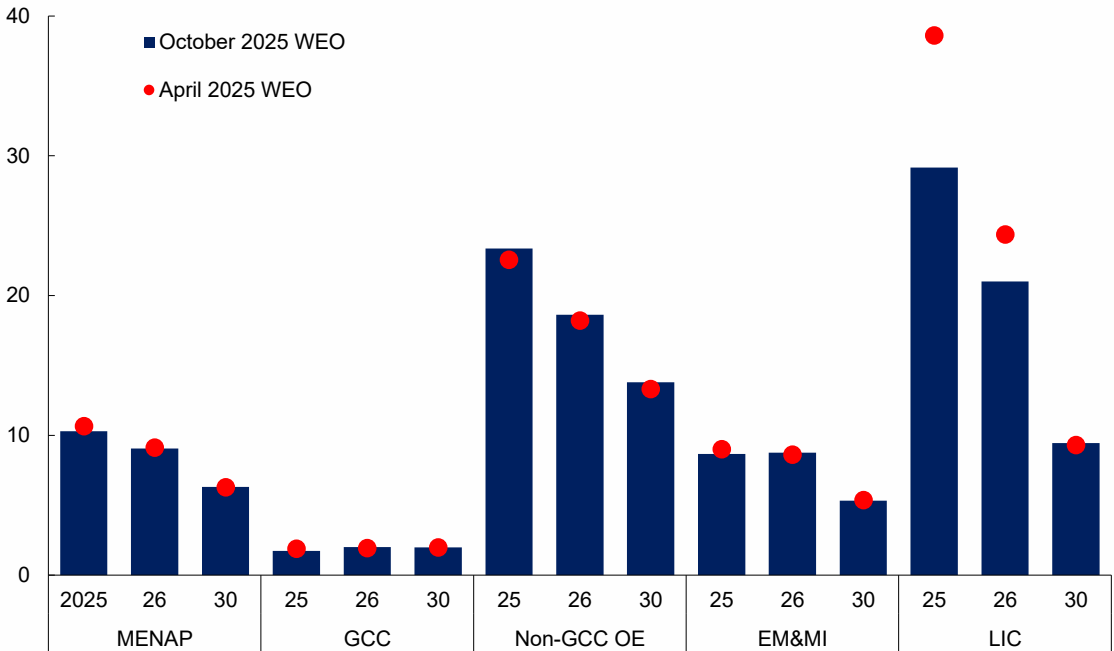**Average 2025 GDP growth higher by 0.6 percentage point in MENAP, compared to May.**

Inflation is projected to fall to 6.3 percent in 2030 in MENAP

Real GDP Growth Forecast and Revisions
(Year-over-year percent change)

Legend:
- Real GDP growth
- Non-oil contribution
- Oil contribition
- Real GDP growth (April 2025 WEO)

Categories: MENAP, GCC, Non-GCC OE, EM&MI, LIC (years 2025/25, 26, 30)

Headline Inflation Forecast and Revisions
(Year-over-year percent change; end of period)

Legend:
- October 2025 WEO
- April 2025 WEO

Categories: MENAP, GCC, Non-GCC OE, EM&MI, LIC (years 2025/25, 26, 30)

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

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

Generally tight fiscal and monetary policy stances

Fiscal Impulse
(Changes in fiscal balances, inverted sign, percent of GDP)

■ Fiscal impulse, cumulative, 2025–27   ■ Fiscal impulse, 2025

-51.9   -25.1

KWT OMN SAU BHR QAT UAE | LBY IRQ ALG IRN | PAK EGY JOR MAR TUN | DJI MRT SOM SDN

GCC | Non-GCC OE | EM&MI | LIC

Monetary Policy Stance
(Difference between latest ex-ante real policy rates and estimated neutral policy rate)

2027 inflation minus target or long-term inflation, percent

Ex-ante real policy rate minus neutral policy rate, percent

EGY, TUN, PAK, QAT, JOR, OMN, SAU, KWT, UAE, GEO, MAR, BHR
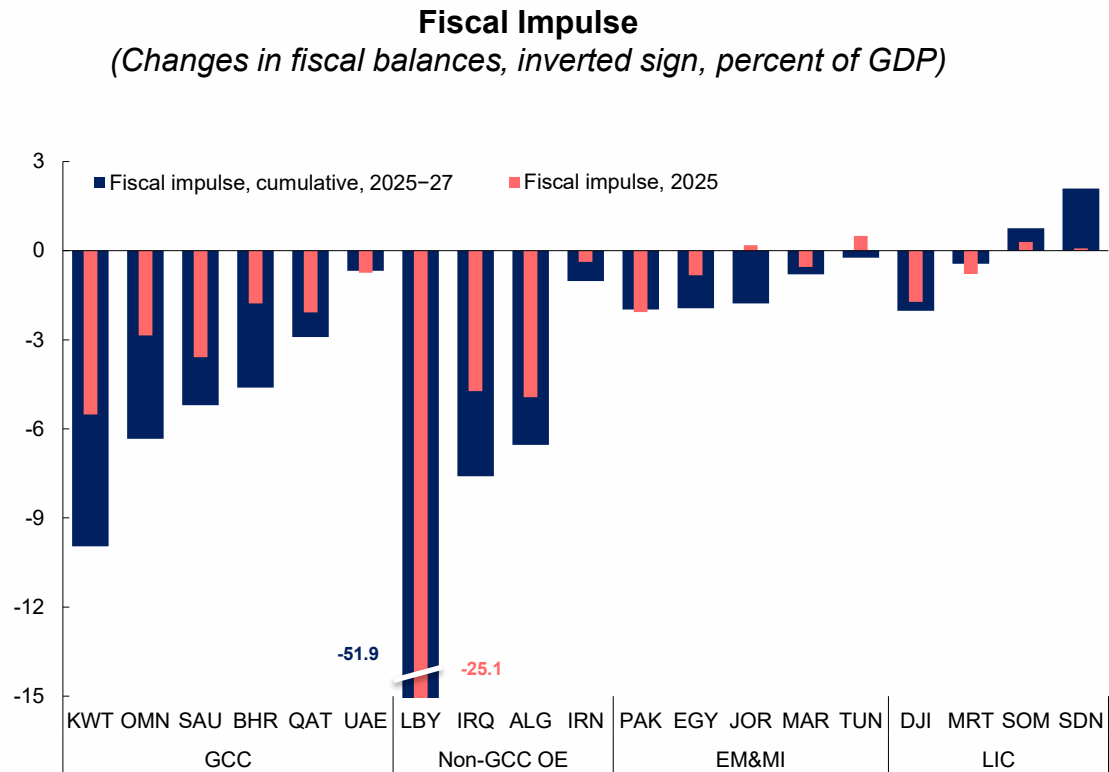
Sources: IMF, World Economic Outlook database; and IMF staff calculations. Note: The fiscal impulse is calculated as the difference between the primary fiscal balance, with an inverted sign (so a negative fiscal impulse implies a tighter fiscal policy stance). The definition of the primary fiscal balance varies by country: for oil exporters, it refers to the annual non-oil primary fiscal balance expressed as a percentage of non-oil GDP; for oil importers, it refers to the cyclically adjusted primary fiscal balance as a percentage of GDP.
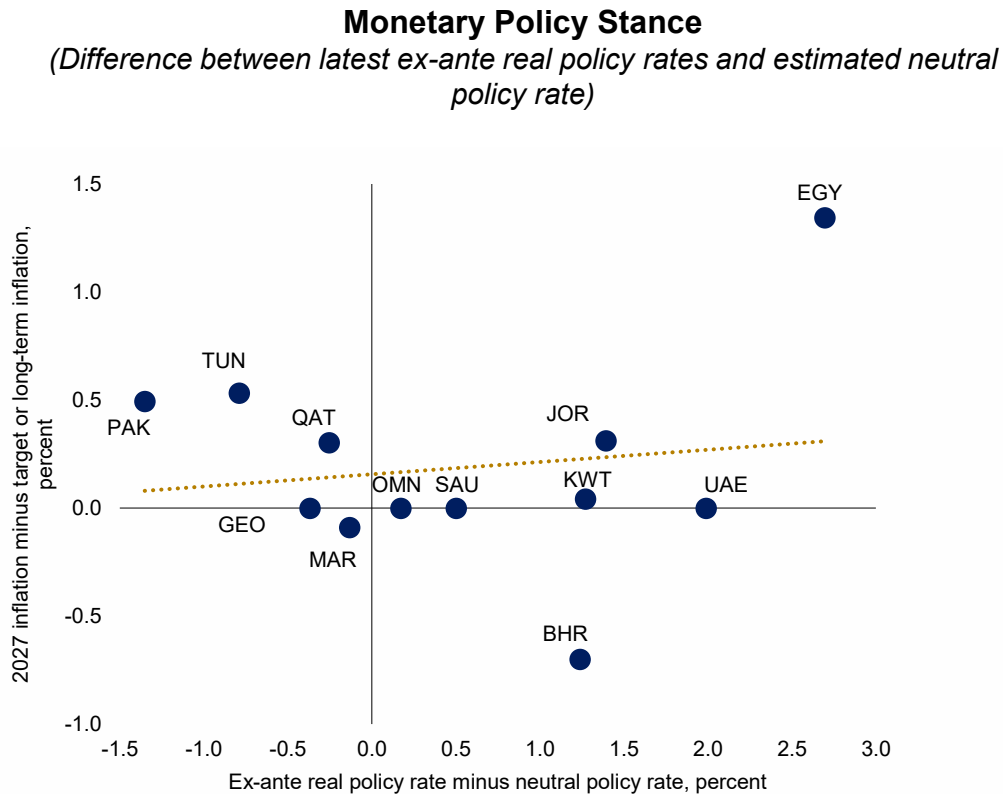
Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculation.
Note: Ex-ante real policy rate is equal to difference between nominal policy rate and end of period inflation rate in 2027. For countries with peg to the USD a 2 percent inflation target is assumed. Neutral policy rates are estimated by staff as in Chapter2, MCD REO, April 2023. *Monetary Policy Where MENA and CCA Stands?*
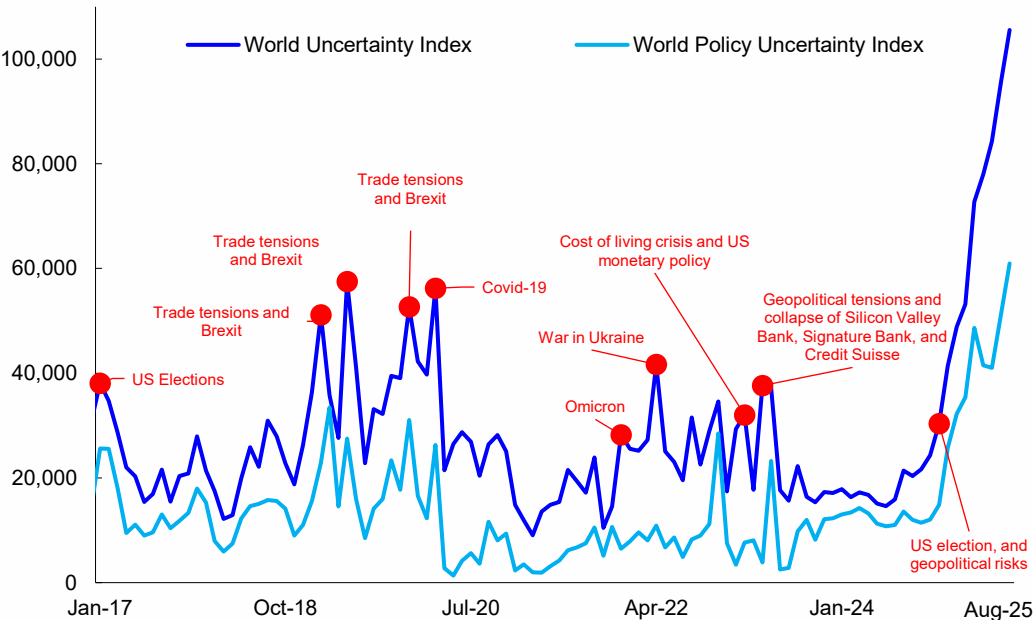
Risks

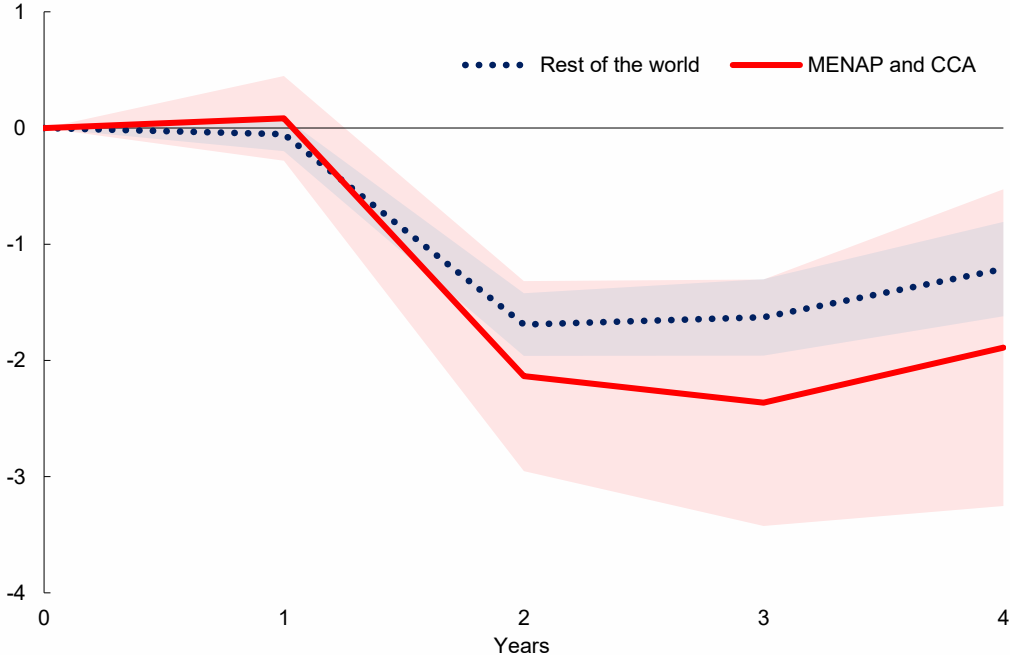# The spike in global uncertainty: are we out of danger?

The World Uncertainty Index has risen further

World Uncertainty Indices
(Index, GDP-weighted seventy-one countries)

Legend: World Uncertainty Index, World Policy Uncertainty Index

Annotations: US Elections; Trade tensions and Brexit; Trade tensions and Brexit; Trade tensions and Brexit; Trade tensions and Brexit; Covid-19; Cost of living crisis and US monetary policy; War in Ukraine; Omicron; Geopolitical tensions and collapse of Silicon Valley Bank, Signature Bank, and Credit Suisse; US election, and geopolitical risks

X-axis: Jan-17, Oct-18, Jul-20, Apr-22, Jan-24, Aug-25

Uncertainty spikes generally impact economic activity with a lag

Impacts of Global Uncertainty Shocks on Real GDP Growth
(Percent, impact of a one standard deviation shock on uncertainty)

Legend: Rest of the world, MENAP and CCA
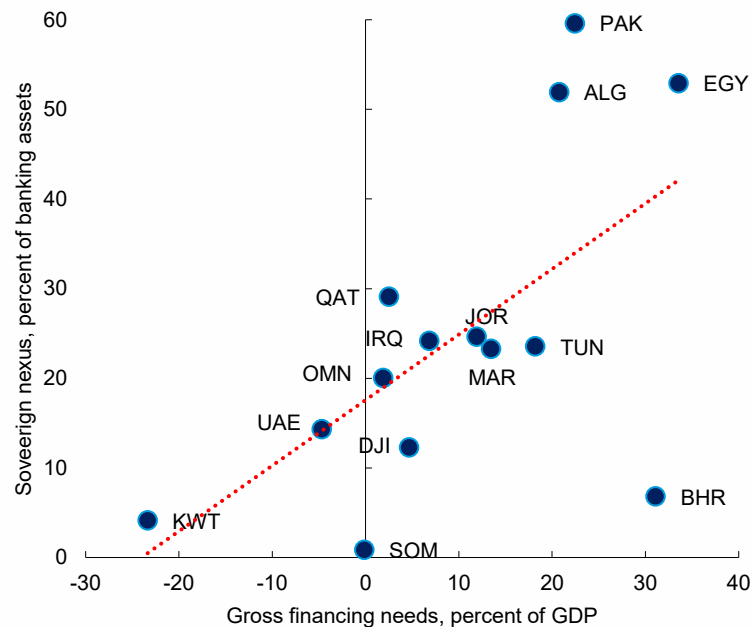
X-axis: Years — 0, 1, 2, 3, 4

Higher interest rates, lower (higher?) oil prices, escalation (resolution?) of conflicts

A few MENA economies have high gross financing needs and banks with large exposure to public debt
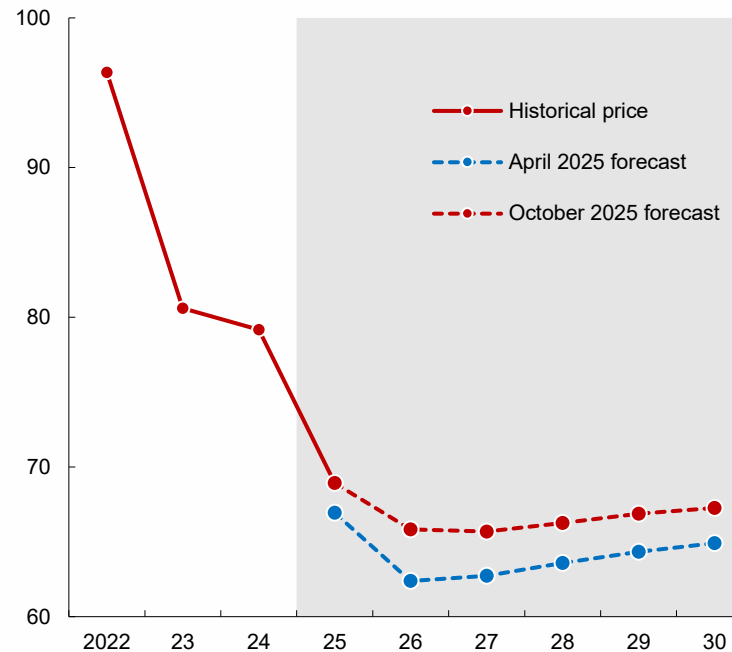
Gross Financing Needs and Bank Exposures to Sovereign Debt, 2024
(Percent)

Sources: Haver Analytics; IMF, International Finance Statistics database; Regional Economic Outlook database; World Economic Outlook database; and IMF staff calculations.
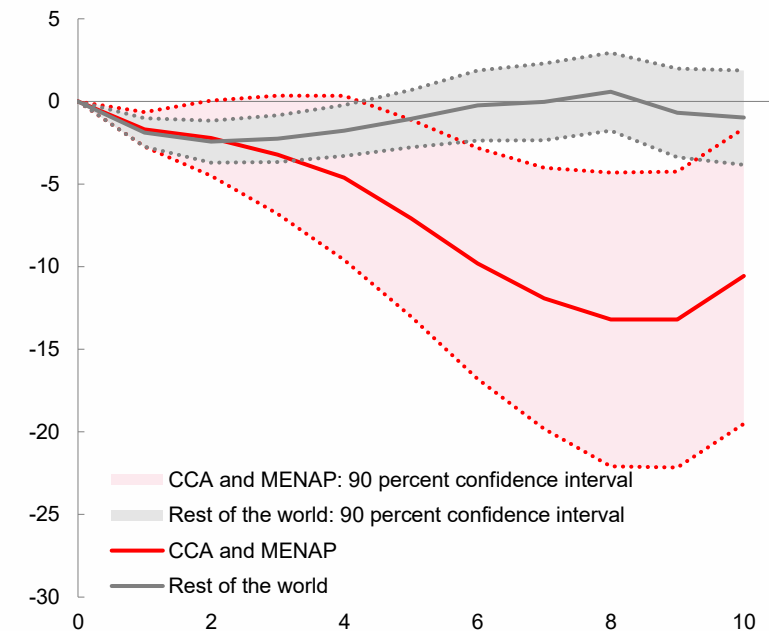Note: The sovereign nexus is calculated as banks' net claims on central, state, local governments, and state-owned enterprises, as a share of total bank assets. For Bahrain, it includes only bank claims on the general government.

Oil prices are projected to fall and remain low, in our baseline

Oil Price Forecasts
(US dollars per barrel)

- Historical price
- April 2025 forecast
- October 2025 forecast

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

Severe and persistent adverse effects from conflicts in MENA and CCA economies

Impact of Conflict on Real GDP per Capita
(Percent)

- CCA and MENAP: 90 percent confidence interval
- Rest of the world: 90 percent confidence interval
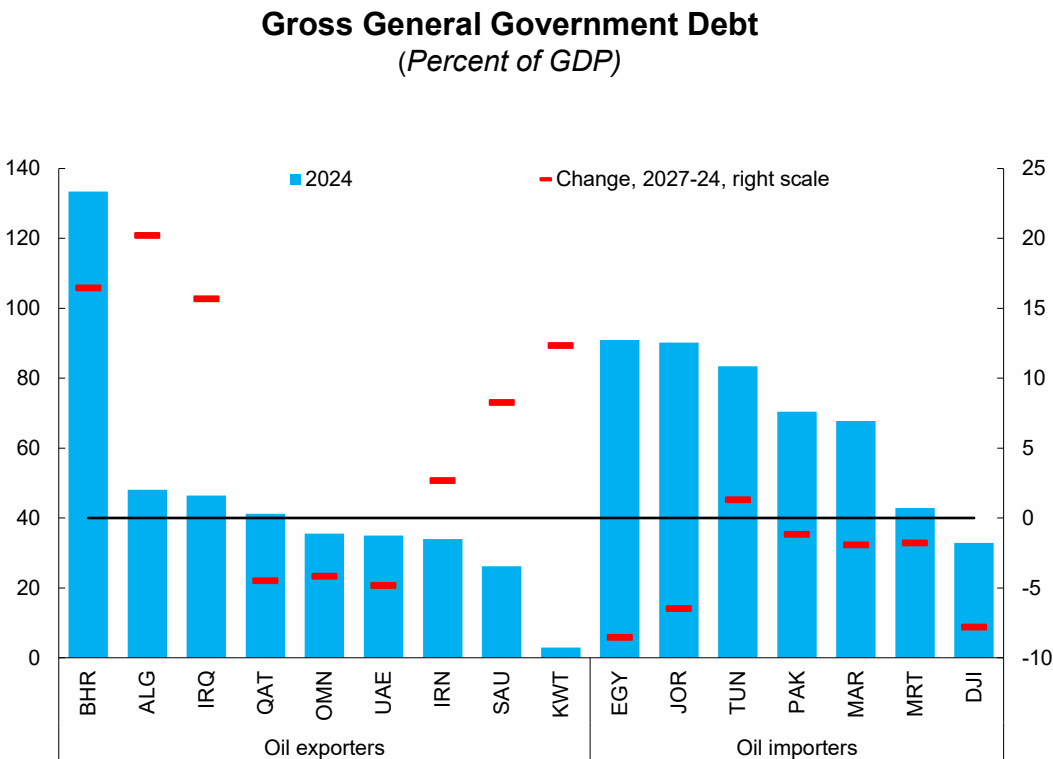- CCA and MENAP
- Rest of the world

Sources: IMF, World Economic Outlook database; Uppsala Georeferenced Event Database (v23.1); and IMF staff calculations.
Note: A local projections approach is used to assess the impacts of conflict. he shock occurs in year 1 and corresponds to an increase in conflict intensity to the 75th percentile of the world distribution.

Policy Priorities

Policy priority: rebuild fiscal and external buffers

Government debt projected to decline in most MENA oil importers but to remain at relatively high levels

Gross General Government Debt
(Percent of GDP)

Legend: ■ 2024 — Change, 2027-24, right scale

Oil exporters: BHR, ALG, IRQ, QAT, OMN, UAE, IRN, SAU, KWT
Oil importers: EGY, JOR, TUN, PAK, MAR, MRT, DJI

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

A few countries have very little foreign reserves

Reserve Assets
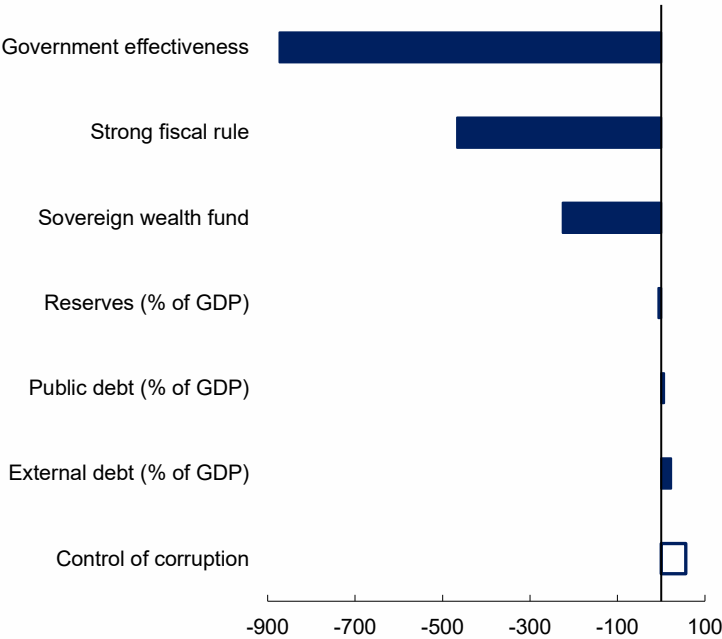(Months of next year's total imports)
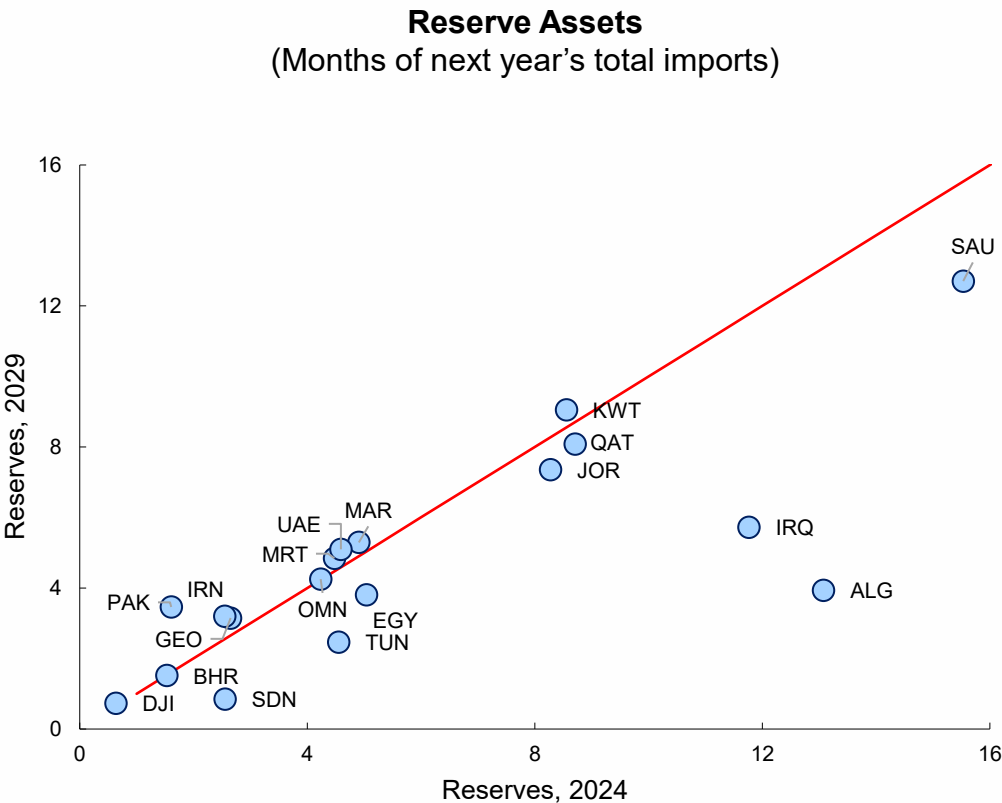
Sources: IMF, Regional Economic Outlook; and IMF staff calculations.

Strong fiscal rules, more flexible ERs, and CB independence could strengthen resilience against negative shocks

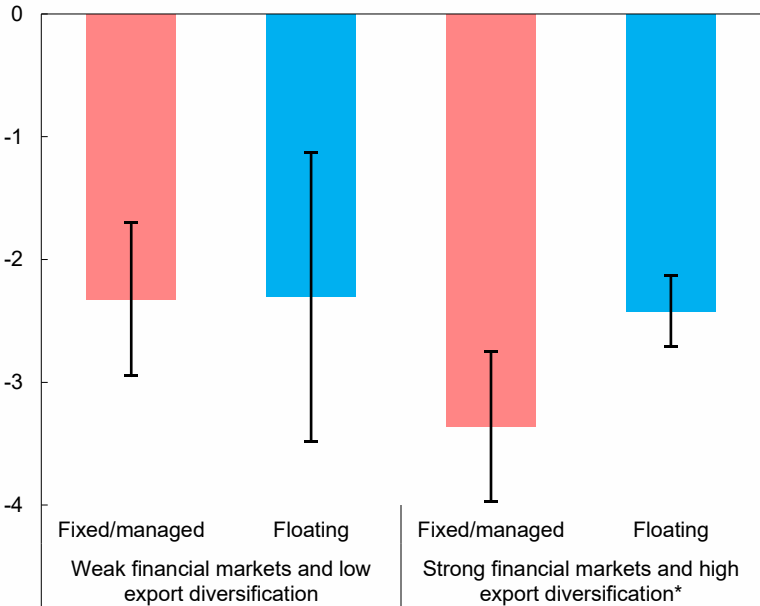## Strong fiscal rules tend to be associated with lower sovereign spreads

Determinants of Sovereign Spreads
(Coefficient estimates, basis points)

More flexible ERs help reduce losses from external shocks

Impact of a Global Uncertainty Shock on Real GDP Growth
(Percent real GDP change one year after shock)

Central bank independence can help against inflation over the medium-term

MENA Region: Estimated Cumulative Impact of Increase in CBI Index on Inflation
(Percent relative to baseline)

Sources: IMF, World Economic Outlook database; IMF, Fiscal Rules Database (Alonso and others, forthcoming); Bloomberg L.P.; World Bank, Worldwide Governance Indicators; and IMF staff calculations.
Note: Using a sample of 57 countries over the period of 1996–2021, the regression specification includes fixed effects and a control for global financial market volatility, with clustered standard errors. A strong (weak) fiscal rule is defined as a score in the top (bottom) third of the Fiscal Rule Strength Index distribution. Hollow bars indicate that the association is not statistically significant at the 10 percent level.

Sources: IMF, World Economic Outlook database; IMF, The Annual Report on Exchange Arrangements and Exchange Restrictions database; Ahir, Bloom, and Furceri (2022); World Uncertainty Index (WUI) database; Federal Reserve Bank of St. Louis, Federal Reserve Economic Data database; Uppsala Georeferenced Event Database; Center for Research on the Epidemiology of Disasters, Emergency Events Database EM-DAT; IMF, Financial Development Index Database; UNCTAD, UNCTAD Stat Merchandise Trade Matrix; and IMF staff calculations.
Note: A local projections approach with controls is used to assess the impacts of global shocks. The shock corresponds to a 1 standard deviation increase in the GDP-weighted World Uncertainty Index (Ahir, Bloom, and Furceri, 2022). * denotes a statistically significant difference between the two groups of economies.
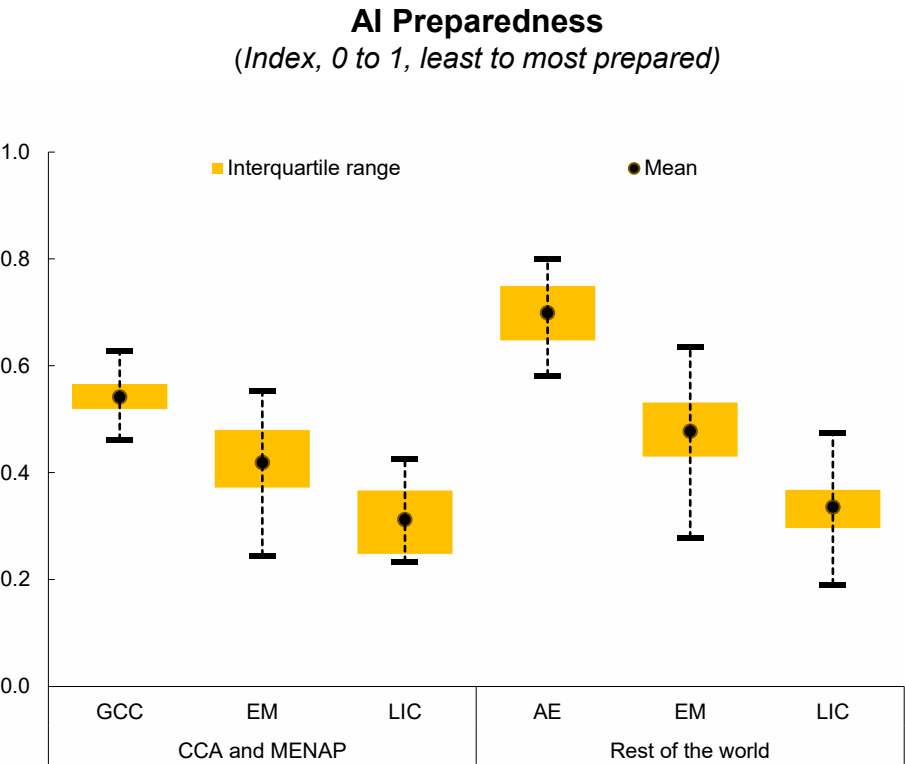
Sources: Gershenson and others (forthcoming); and IMF staff calculations.

Structural reforms are increasingly necessary, as new challenges compound long-standing ones

AI Preparedness
(Index, 0 to 1, least to most prepared)

Legend: ■ Interquartile range   ● Mean

X-axis: GCC, EM, LIC (CCA and MENAP); AE, EM, LIC (Rest of the world)

Unemployment Rate
(Percent)

Legend: ■ Youth unemployment   ■ Overall unemployment

X-axis: GCC, EM, LIC (CCA and MENAP); AE, EM, LIC (Rest of the world)
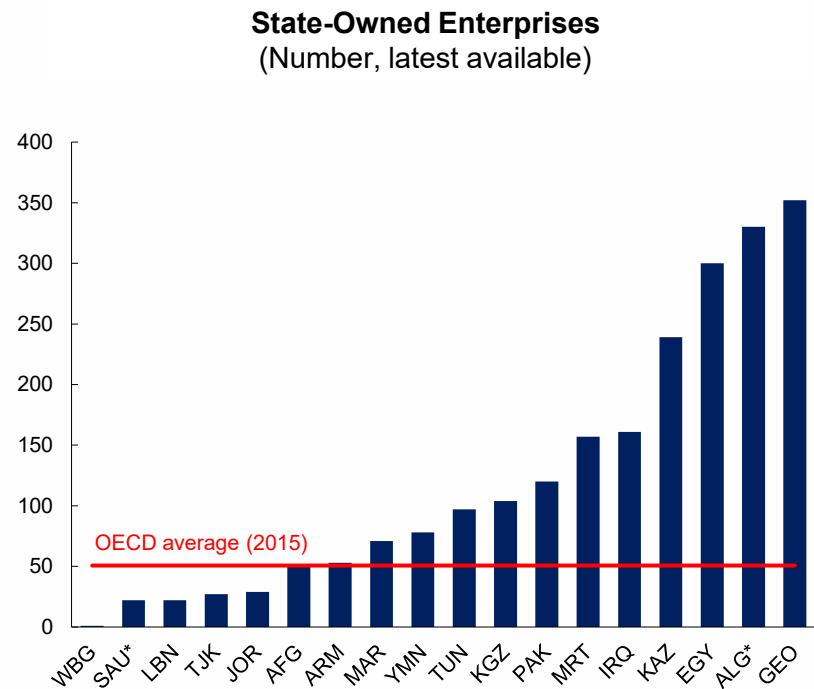
Sources: Cazzaniga and others (2024), AI Preparedness Index; and IMF staff calculations.
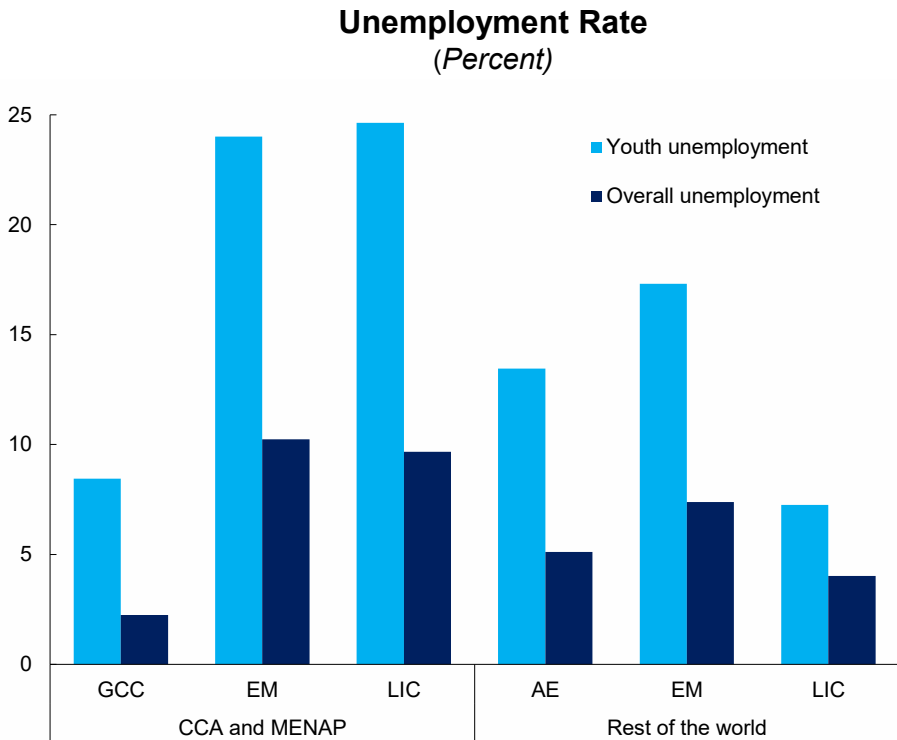
Sources: International Labour Organization, Labor Force Statistics, and IMF staff calculations.

Long-term priorities: reduce state dominance, improve governance, gender and financial inclusion, diversify the economy

A significant presence of State Owned Entreprises

State-Owned Enterprises
(Number, latest available)

OECD average (2015)

X-axis: WBG, SAU*, LBN, TJK, JOR, AFG, ARM, MAR, YMN, TUN, KGZ, PAK, MRT, IRQ, KAZ, EGY, ALG*, GEO

Sources: OECD (2015a); national country authorities; and IMF staff calculations.
Note: Saudi Arabia reporting is limited to the portfolio of entities under the remit of the reporting institution and therefore cannot be considered wholly representative of the national SOE portfolio. Number of SOEs in Algeria is representative of SOEs with 90%-100% government ownership.

Large gaps in governance, gender and financial inclusion

Inclusive Growth Index, 2024
(0-100 from worst to best)

— MENA — Rest of the world
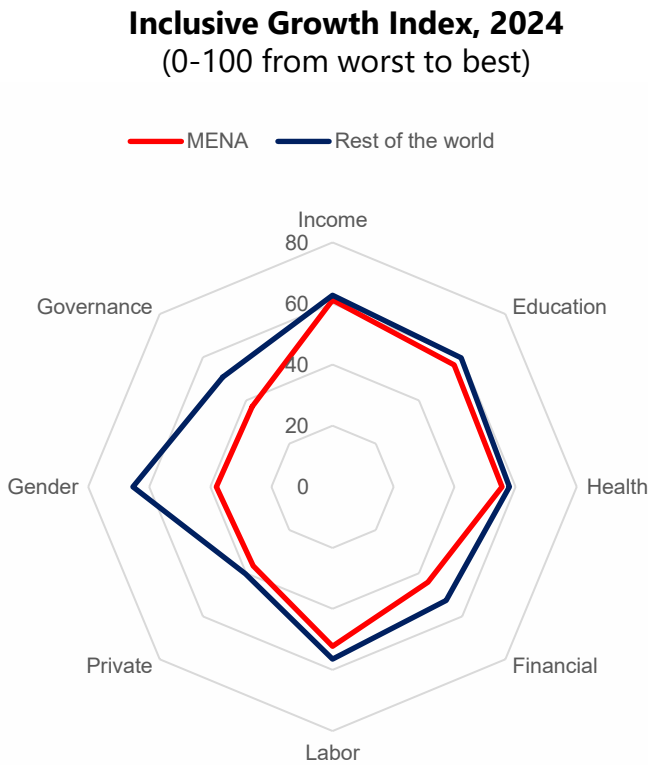
Sources: IMF staff calculations.

INTERNATIONAL MONETARY FUND

PROMOTING INCLUSIVE GROWTH IN THE MIDDLE EAST AND NORTH AFRICA
Challenges and Opportunities in a Post-Pandemic World

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Thank you