

**MIDDLE EAST  
AND CENTRAL ASIA  
DEPARTMENT**

# **Middle East and North Africa Economic Outlook**

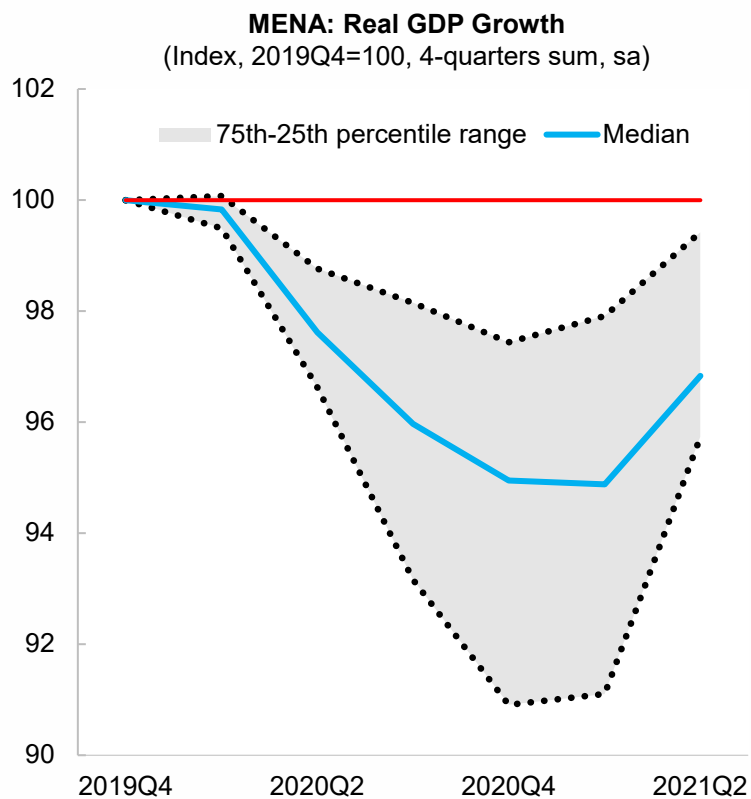
**OCTOBER 2021**

Middle East and Central Asia Department

# **Ongoing Recovery, despite Surging Pandemic, with New Challenges**

# Recovery is underway, despite surging pandemic

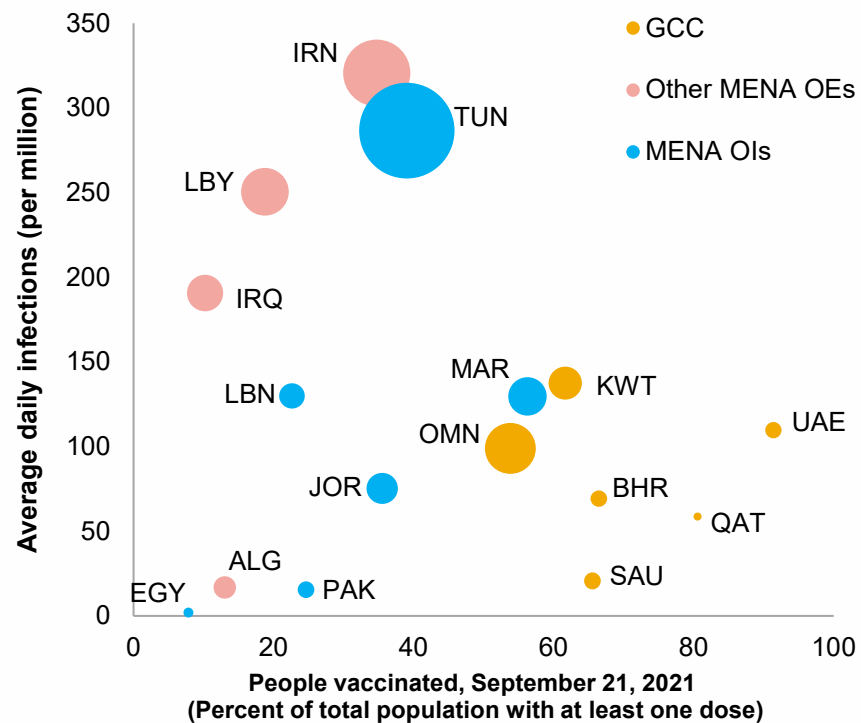
Despite the pandemic outbreak, the recovery is ongoing



Sources: Haver Analytics; and IMF staff calculations.  
Note: The sample includes 12 ME&CA countries. Nine countries have released 2021Q2 data so far.

Vaccination progressed in some countries...

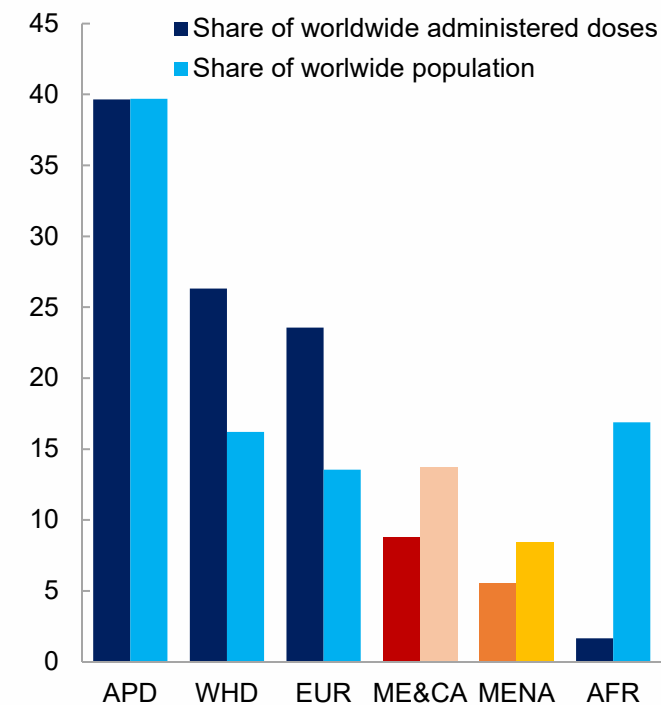
**Average Daily Infections and Deaths versus People Vaccinated**  
(Infection and death rates—size of bubbles—during Jun. 30-Sep. 21, 2021)



Sources: National authorities; Our World in Data; IMF, *World Economic Outlook*; and IMF staff calculations.  
Note: MENA = Middle East and North Africa; MENA OEs = MENA Oil Exporters; MENA OEs = MENA Oil Importers.  
MENA Low-Income Developing Countries are excluded from the first chart due to limited testing in some countries.

... but MENA is not getting its fair share, as LICs lag behind

**Vaccine Access**  
(Percent, excluding China)

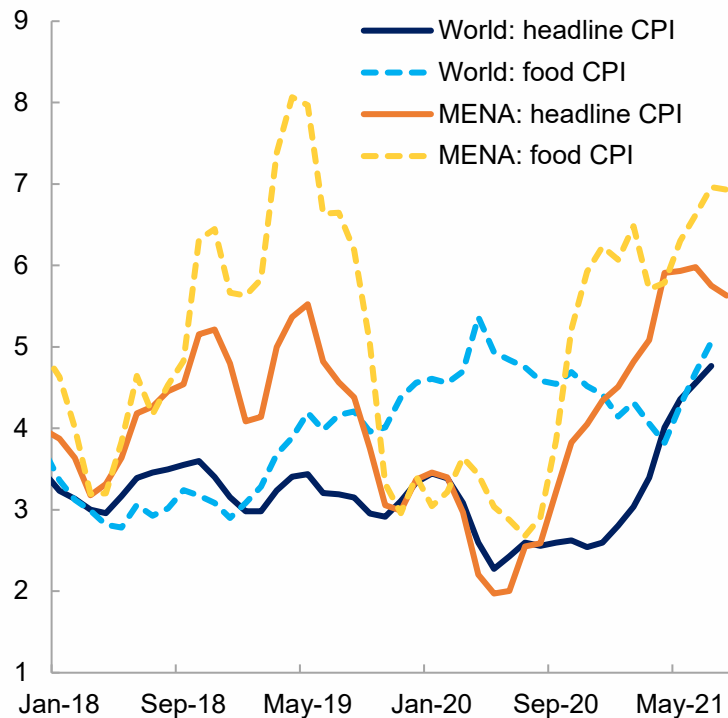


Sources: National authorities; Our World in Data; IMF, *World Economic Outlook*; and IMF staff calculations.  
Note: ME&CA = Middle East & Central Asia; MENA = Middle East and North Africa.

# New challenges are emerging, with prices increasing and macro policy space tightening

Headline and food inflation are increasing...

**Headline and Food Inflation**  
(Year-over-year percent change; simple average)

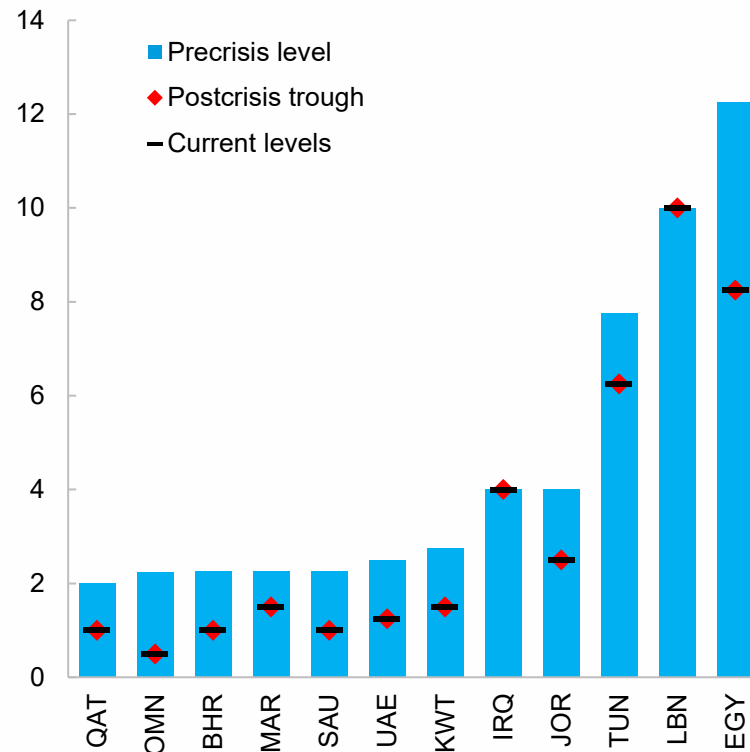


Sources: Haver Analytics; National Authorities; IMF, *CPI database*; and IMF staff calculations.

Note: MENA includes 15 out of 22 countries. DJI, LBN, LBY, MRT, SDN, SYR, and YEM are not included due to lack of recent data. Latest data are as of Aug. 2021 except for TUN (Mar.2021) KWT (Apr. 2021), ALG (Jun. 2021), BHR, OMN, and UAE (Jul. 2021). Data were extrapolated based on latest available inflation growth rates as indicated. Data for the world are as of Jul. 2021.

...limiting further monetary policy accommodation.

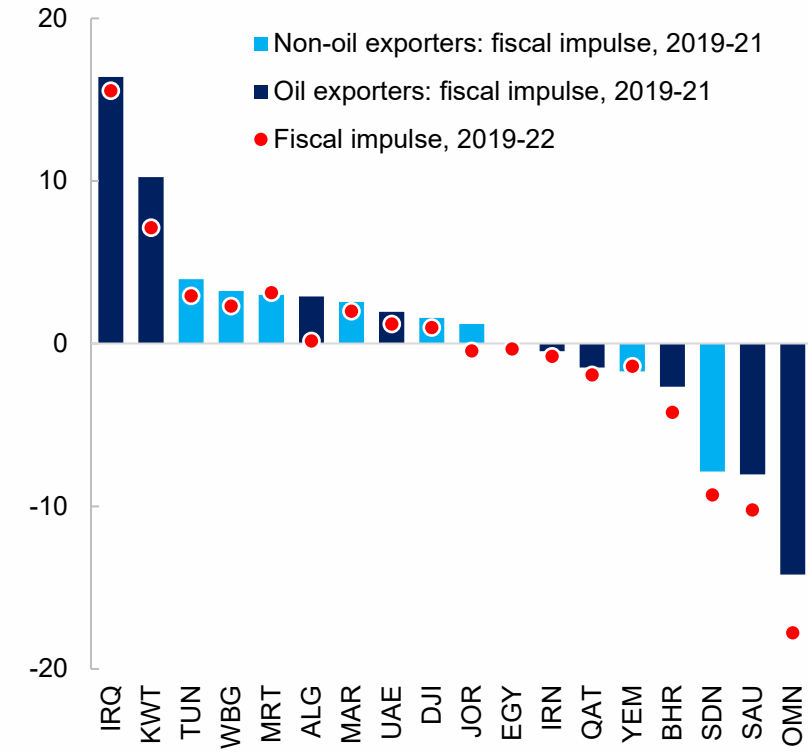
**MENA: Monetary Policy Rates**  
(Percent)



Sources: National central banks; and IMF staff calculations.

At the same time, fiscal accommodation is declining.

**MENA: Fiscal Impulse**  
(Negative change of primary balance, percent of GDP)



Sources: National authorities; and IMF staff calculations.

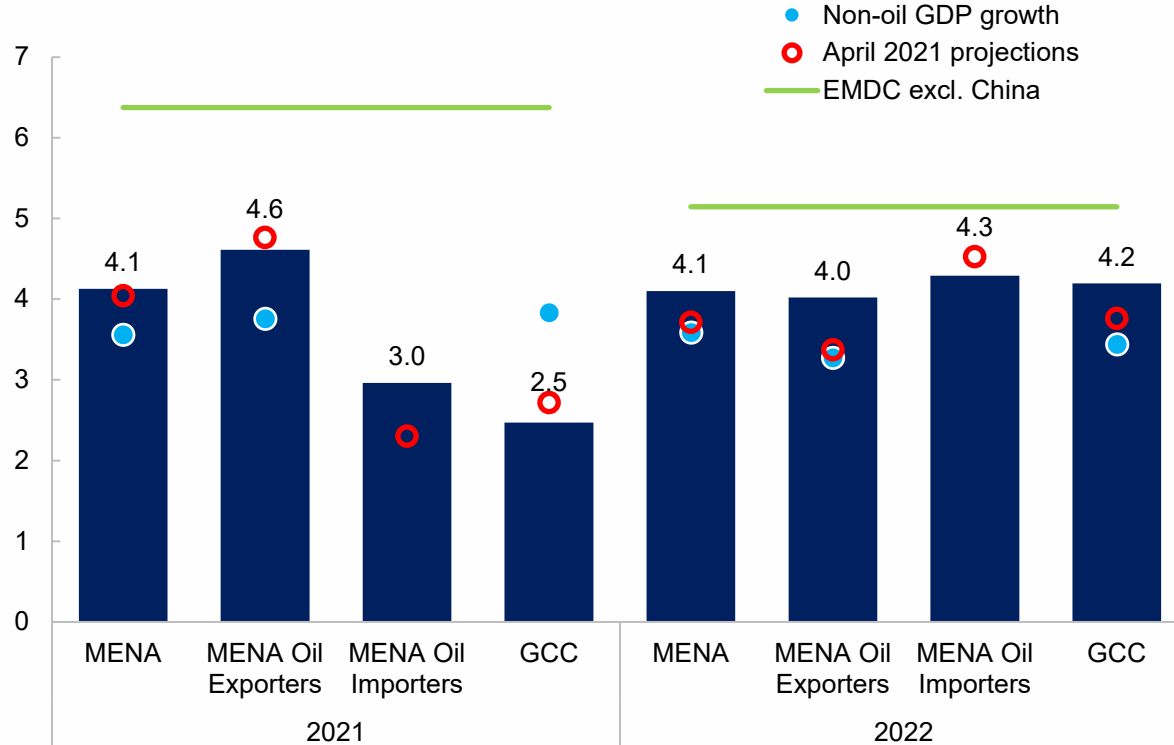
Note: The general government primary balance excludes the effect of oil revenues for oil exporting countries.

# **Outlook: A Multispeed Recovery with Persistent Output Losses**

# The multi-speed growth recovery is expected to firm up in 2022, with inflation moderating

Growth is expected to vary in 2021 and firm up in 2022

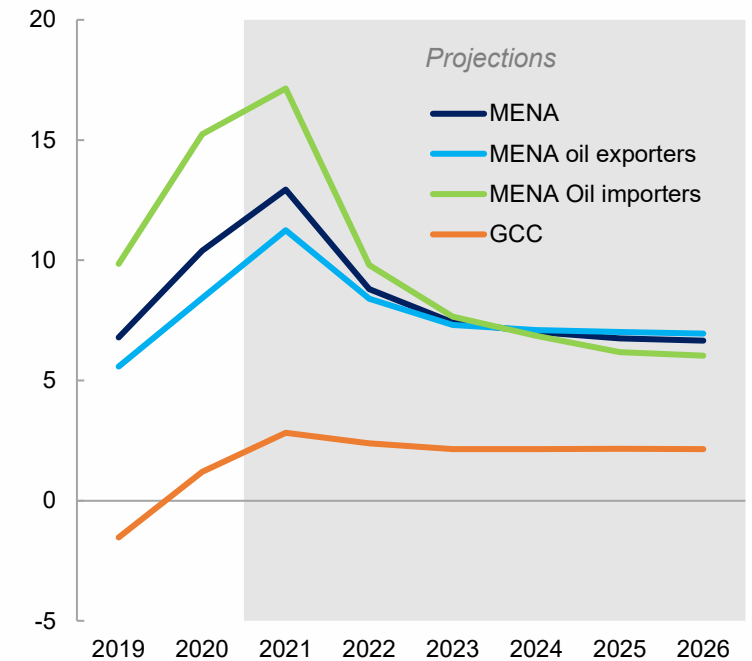
**MENA: Real GDP Growth**  
(Year-over-year percent change)



Sources: IMF, WEO; and IMF staff calculations.

Inflation is projected to moderate after peaking in 2021

**MENA: Headline Inflation**  
(Year-over-year percent change, average)

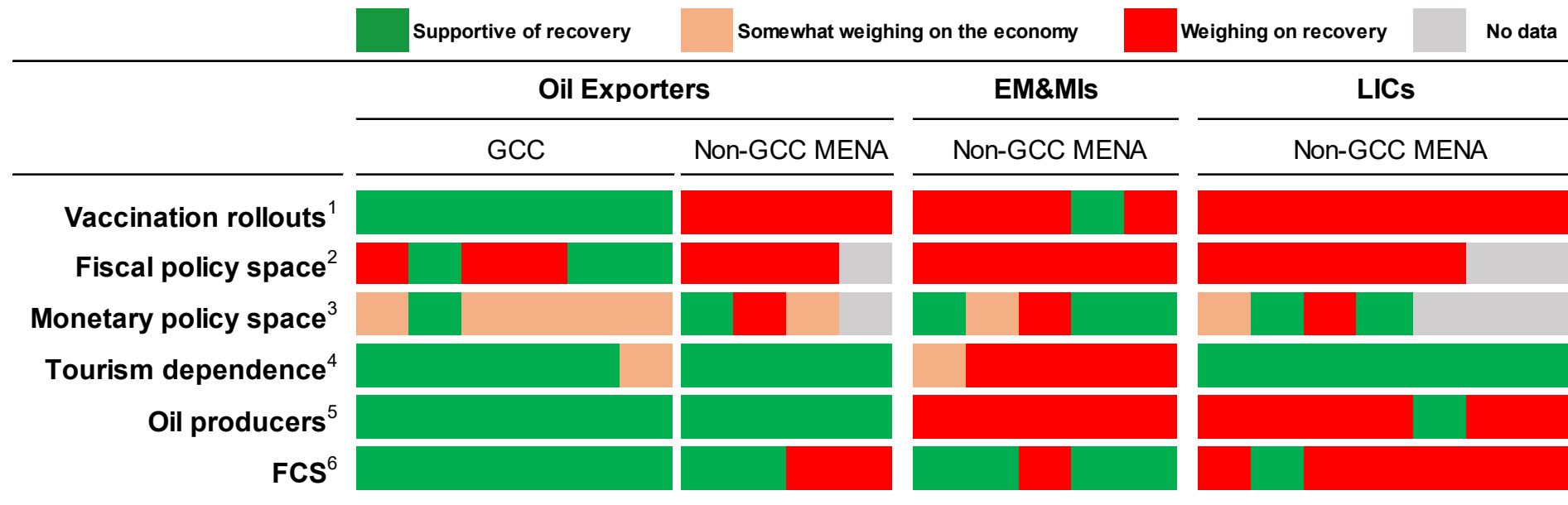


Sources: IMF, WEO; and IMF staff calculations.

# Higher oil prices will support oil exporters, but headwinds dominate the outlook for oil importing countries with slow vaccine rollouts

Low vaccine availability, declining policy space, and exposure to tourism will weigh on outlook for some groups

## MENA: Diverse Set of Factors Affecting the Near-Term Outlook



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

1/ Vaccination rollouts: green represents 40 percent population coverage by end-2021; otherwise, red.

2/ Fiscal policy space: red represents no market access and/or debt-to GDP at or above the median; otherwise, green.

3/ Monetary policy space: red is whether IMF World Economic Outlook inflation projections for 2021 are at or above median or inflation target; green represents below median and target; orange represents peggers and currency boards.

4/ Tourism dependence: red is if both, the tourism share of GDP and the tourism share of total employment, are greater than 10 percent; orange if either one of these criteria is met; otherwise, green.

5/ Oil producers: green represents oil exporters; otherwise, red.

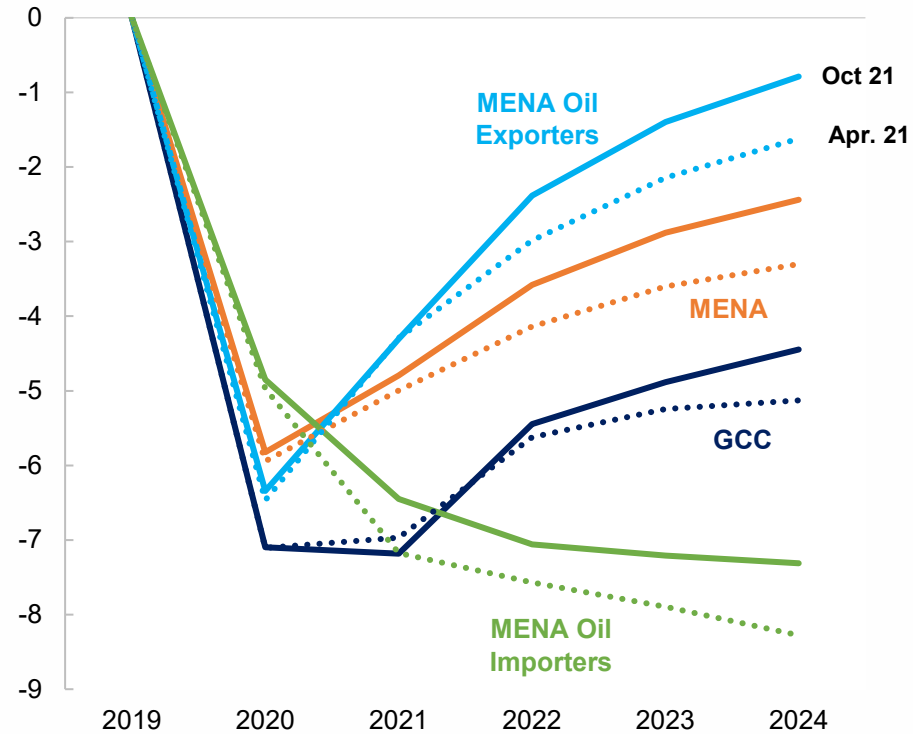
6/ FCS = Fragile states and conflict-affected countries: red represents FCS; otherwise, green.



# Persistent medium-term scarring concentrated in EMs, LICs, and FCS

Real GDP is projected to remain below its pre-crisis trend

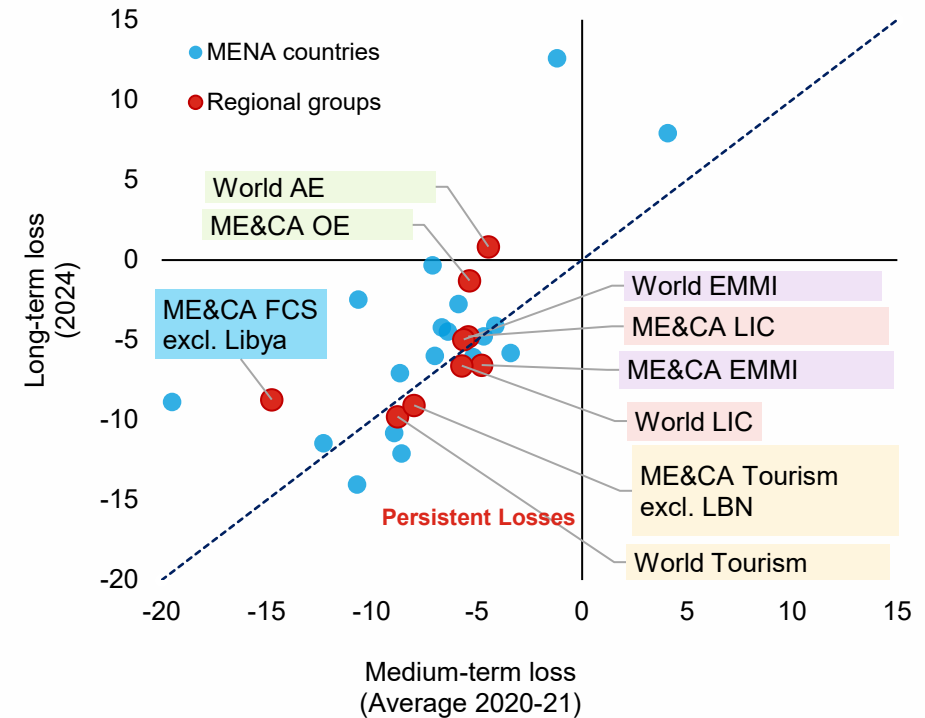
MENA: Output Losses Relative to Pre-Crisis Projections  
(Percent difference)



Sources: IMF, WEO; and IMF staff calculations.  
Note: Pre-crisis projections are for October 2019. Solid lines refer to October 2021 WEO forecast; dotted lines refer to April 2021 WEO forecast.

Scarring is expected to be more severe and persistent for EMs, LICs and FCS

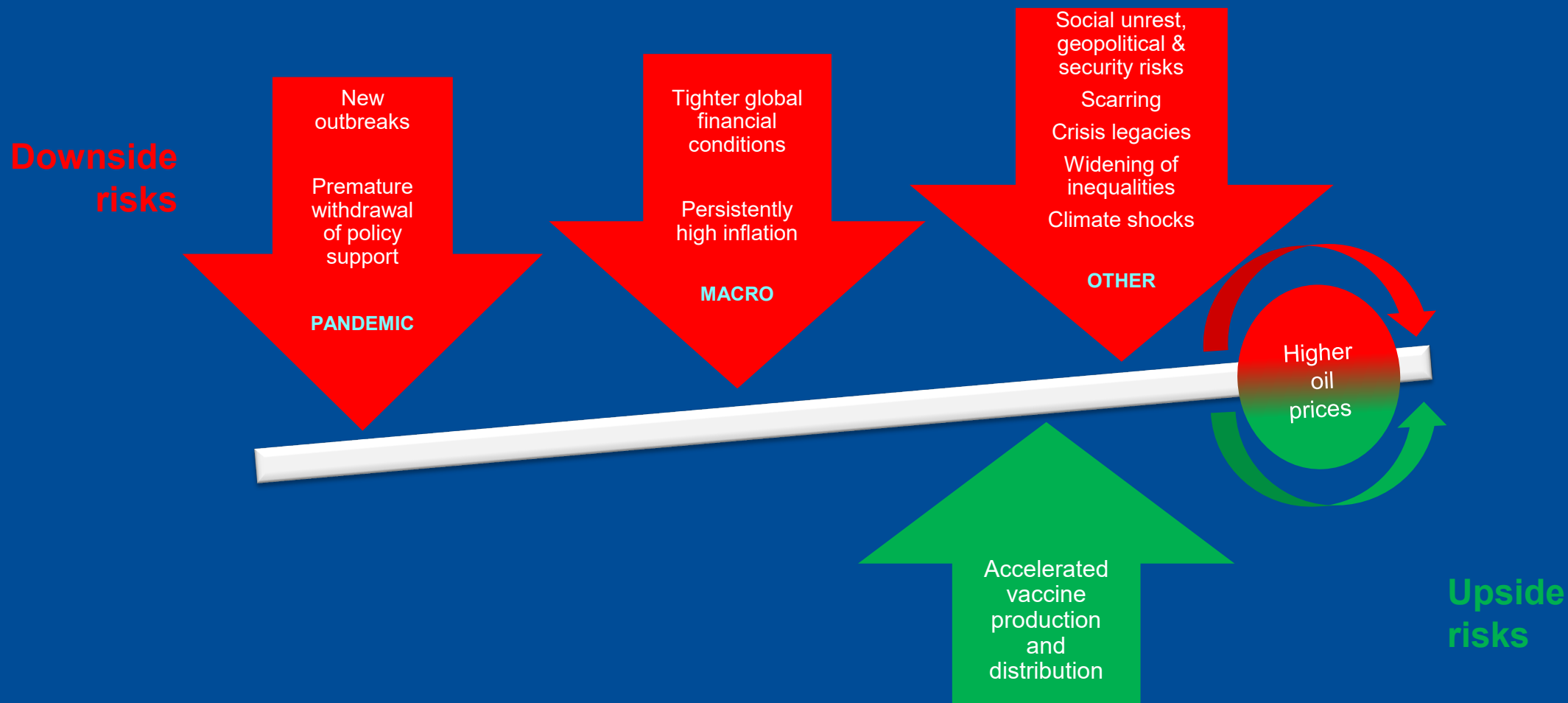
Short- and Medium-Term Output Losses  
Relative to Pre-Crisis Projections  
(Percent difference)



Sources: IMF, WEO; and IMF staff calculations.  
Note: Pre-crisis projections are for October 2019.



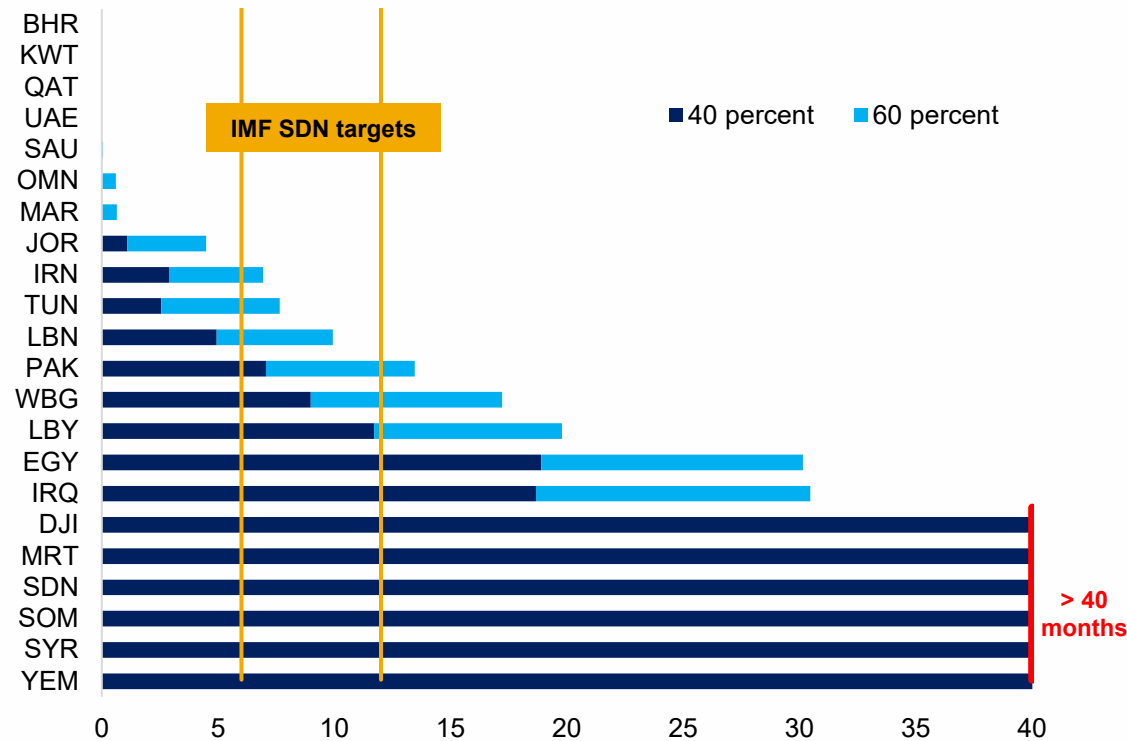
# Elevated Risks and Vulnerabilities



# Resurgence of pandemic highlights vaccine gaps, particularly for LICs and FCS

Unless the vaccine delivery picks up, many countries will not achieve wide vaccine coverage, missing targets

**MENAP: Months to Vaccinate 40-60 Percent of Population**  
(Months, calculated based on current pace of inoculation)

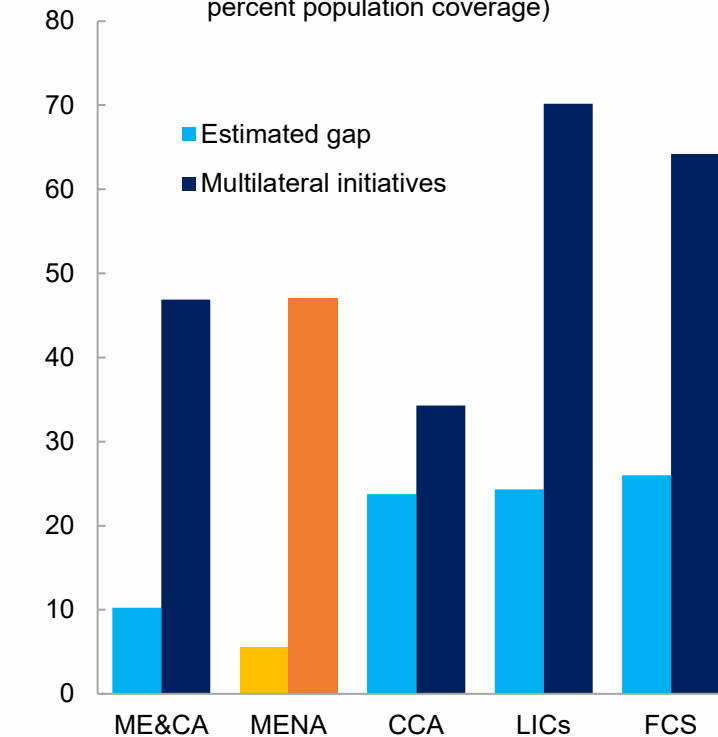


Sources: Our World in Data (OWID); and IMF staff calculations.  
Note: Algeria and Turkmenistan are excluded due to lack of data. Data is as of Sep. 21, 2021.

Vaccine gaps are the largest for LICs and FCS, relying on multilateral initiatives

**ME&CA: Estimated Gap and Dependence on Multilateral Initiatives**

(Percent of the number of vaccines needed to secure a 60-percent population coverage)



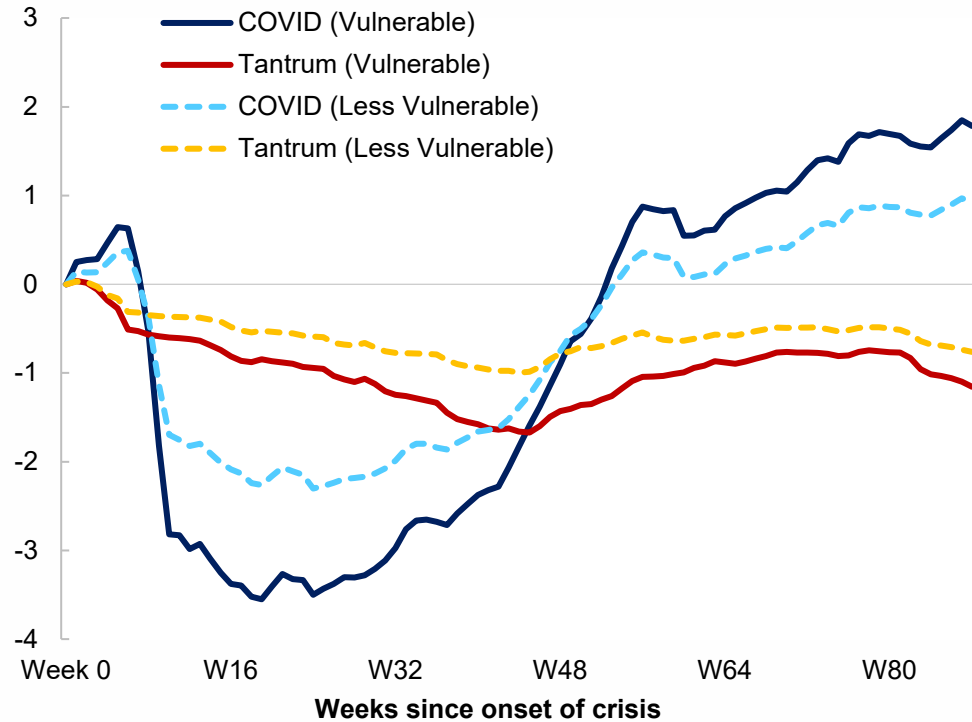
Sources: Airfinity; and IMF staff calculations.

# A sudden tightening of global financial conditions could pose capital flight and debt stabilization risks

A sudden tightening of global financial conditions could lead to capital flight, hitting vulnerable countries more...

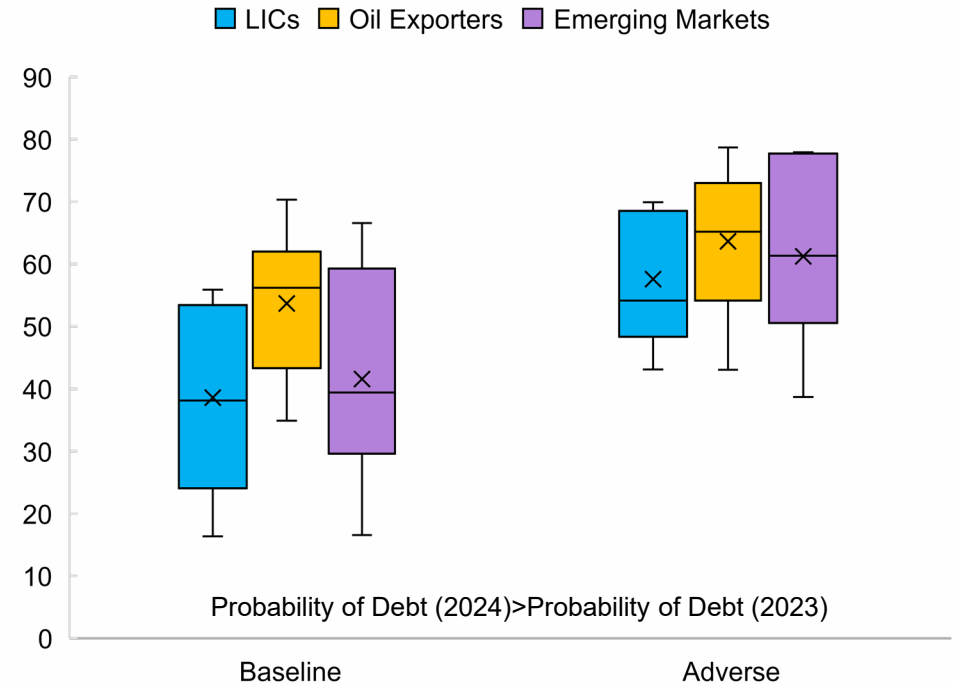
...and raise debt non-stabilization concerns, particularly if downside risks materialize

**ME&CA: Cumulative Capital Flows**  
(Billions of US dollars)



Sources: Haver Analytics, EPFR flows; and IMF staff calculations.  
Note: At time  $t$  measured in weeks since the crisis onset, if the country is below the median value (of FX reserves), then it is characterized as "Vulnerable".  
W1 (for Tantrum) = 5/22/2013 and W1 (for COVID) = 1/22/2020

**Baseline versus Adverse Scenario Probabilities of Debt Non-Stabilization**  
(Percent)



Sources: Sources: IMF, *IFS*; IMF, *WEO*; and IMF staff calculations.

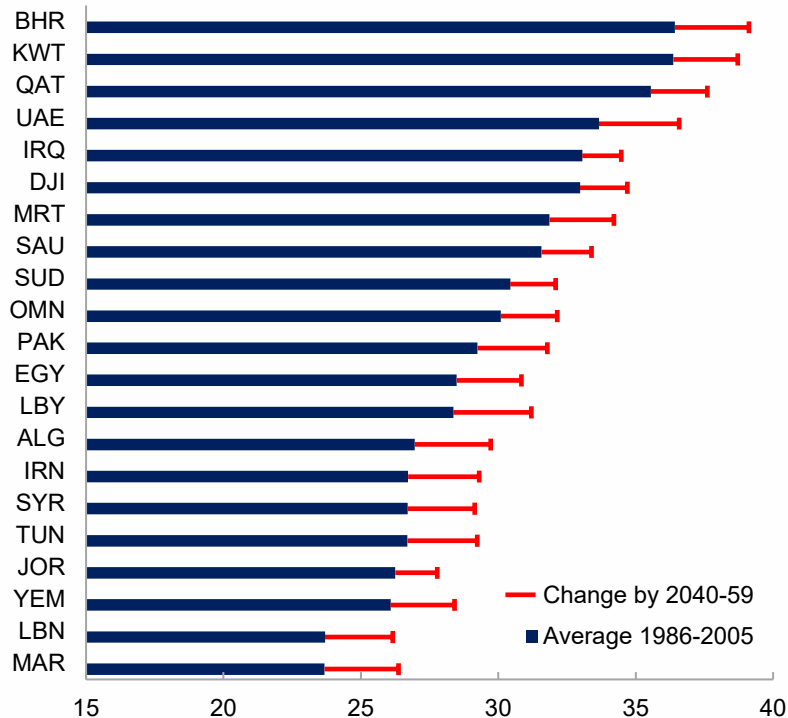
# Significant challenges from climate change given high hydrocarbons dependence and large adaptation needs

**Adaptation: Climate change will continue to be felt throughout MENA**

**Transition: Need to accelerate economic diversification and reduce hydrocarbon dependence**

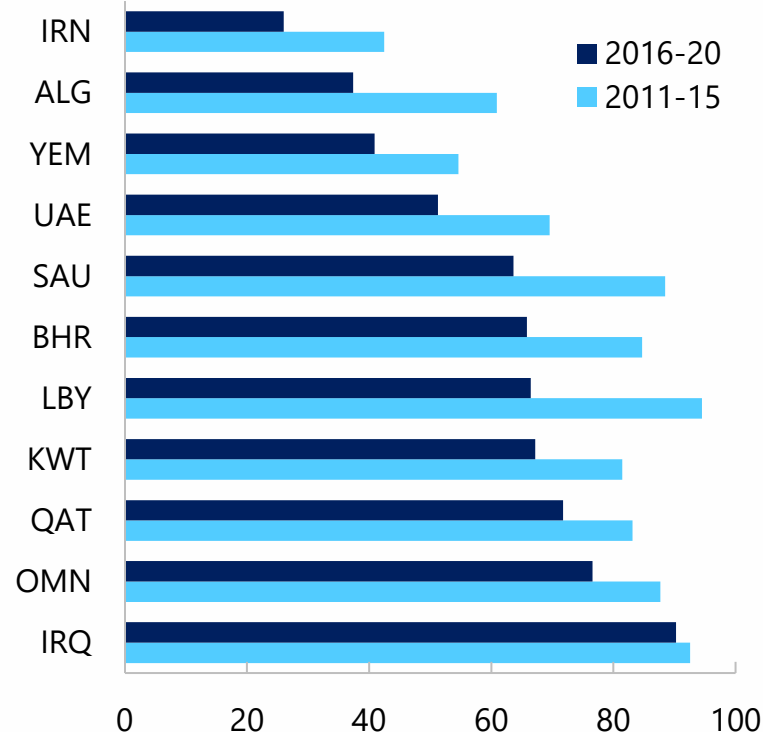
**Mitigation: Achieving targets requires action and cooperation today**

**Average Summer Temperatures, 1986–2059**  
Scenario with Ambitious Global Reductions of GHG Emissions (RCP 4.5)  
(Degree Celsius)



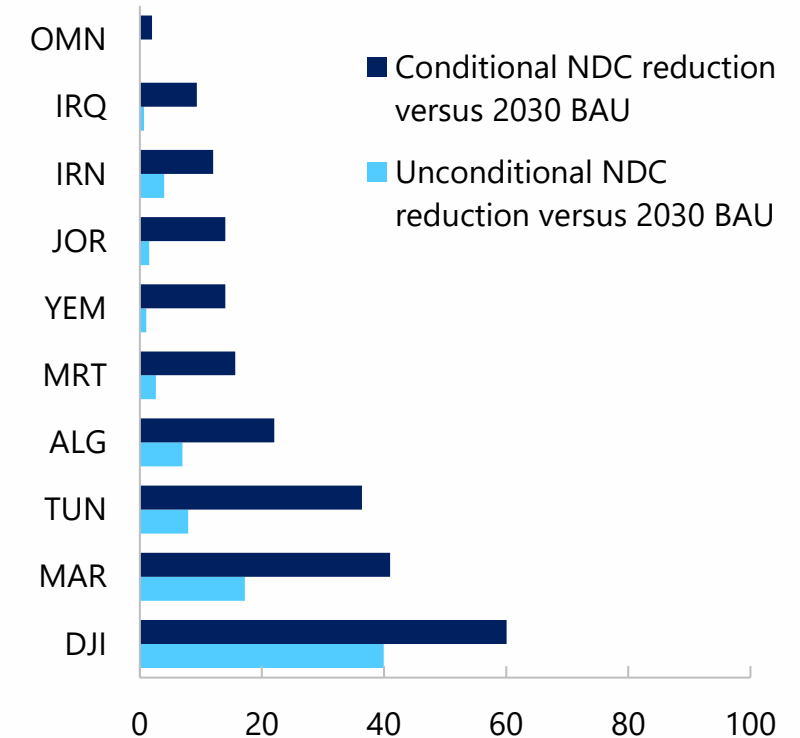
Sources: Climate Lab; and IMF staff calculations.

**Oil Exporters: Hydrocarbon Revenues**  
(Percent of total revenues)



Sources: Country authorities; and IMF staff calculations.

**Envisaged NDC Reduction in 2030 GHG Emissions Relative to Business as Usual**  
(Percent)

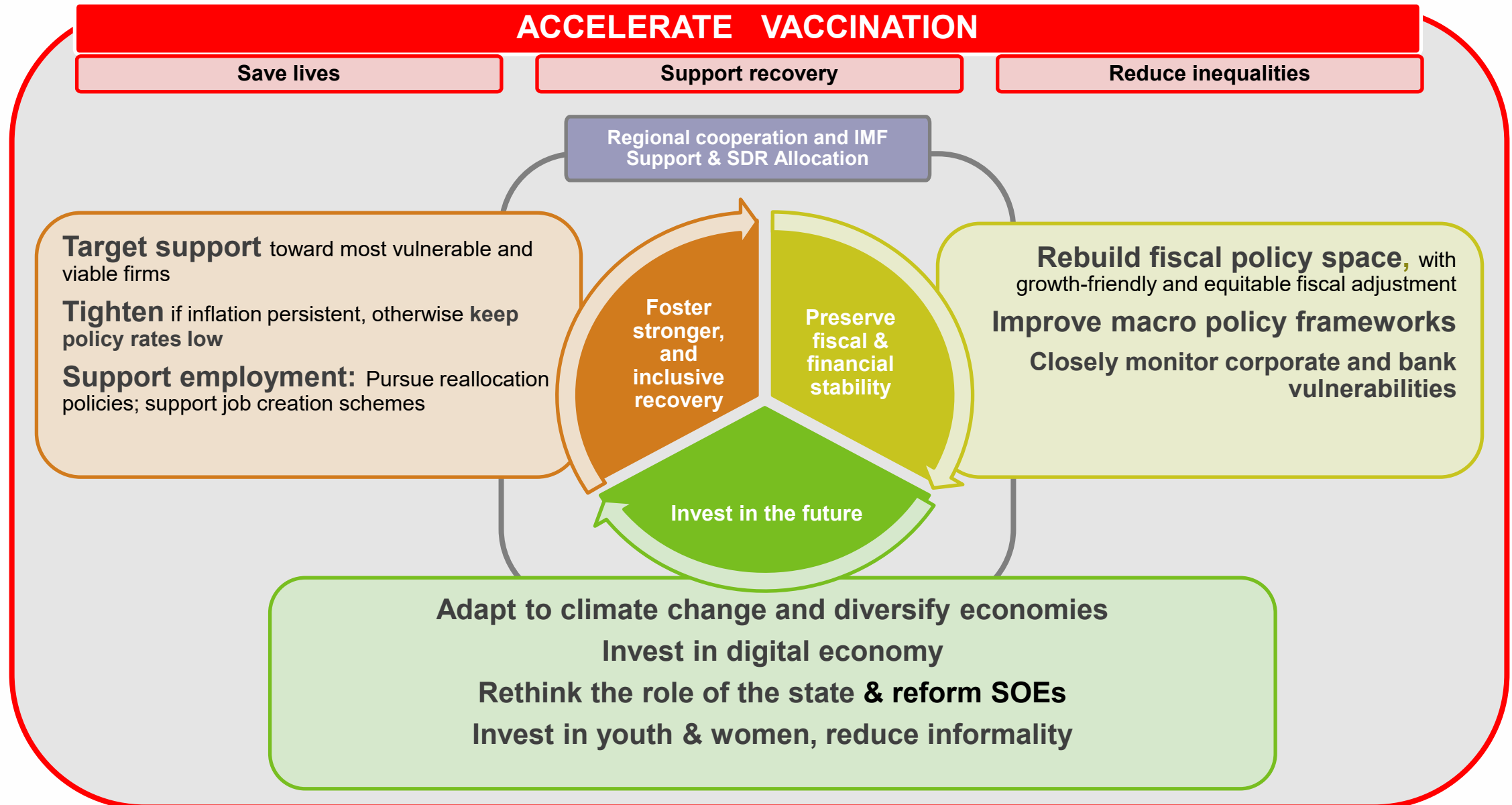


Sources: Country NDC reports; Intended Nationally Determined Contributions; and IMF calculations.

# **Policy Tradeoffs:**

## **From Crisis Management Towards an Inclusive and Transformational Recovery**

# From Crisis Management Towards an Inclusive and Transformational Recovery



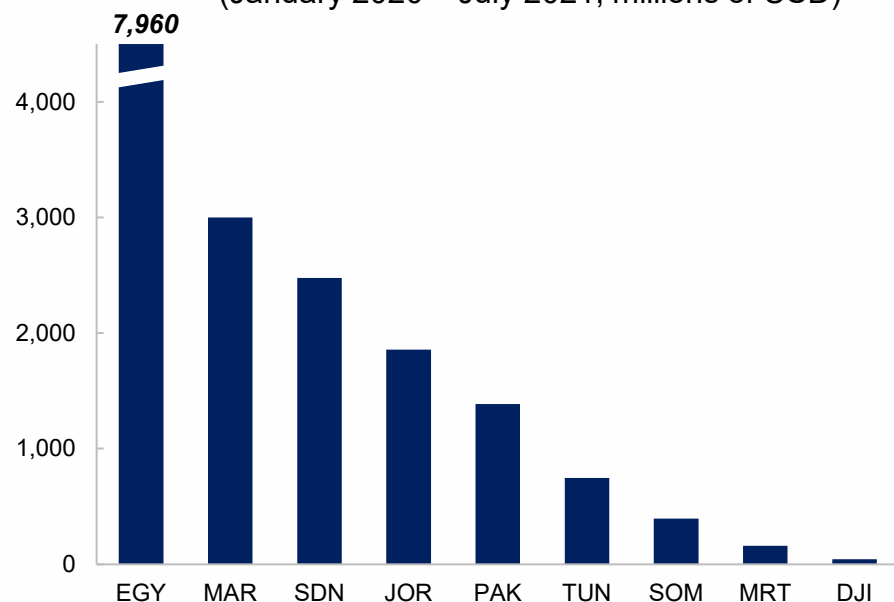
**The IMF will continue to support MCD countries in this transformation**



# The IMF remains intensely engaged in supporting the region

## IMF Financing to MENAP Countries Since the Start of the Pandemic

(January 2020 – July 2021, millions of USD)



- **US\$16.6 billion of new financing to the MENA region**
- **Debt relief for Djibouti, and Yemen under CCRT**
- **SDR allocation to boost the MENA region's reserve assets by US\$42 billion.**
- **Support to Fragile States**



- Bilateral assessments and policy advice to authorities
- Regular engagement with country authorities for more tailored policy discussions
- Dissemination of global policy initiatives and COVID-related policy guidance
- Integration of Capacity Development and surveillance: METAC
- Close coordination with the World Bank, EBRD, ADB and other IFIs
- Increased collaboration with various UN agencies – UNDP/ILO/UNHCR/UNICEF
- Strong coordination with regional organizations: AMF, AFSED, IsDB, GCC
- Mobilization for financial resources, donor support, and debt relief
- Catalyzed additional funding from other official creditors

**Thank you**