



**MIDDLE EAST
AND CENTRAL ASIA
DEPARTMENT**



Middle East and Central Asia Regional Economic Outlook

Charting a Path through the Haze



MAY 2025

Recent Developments

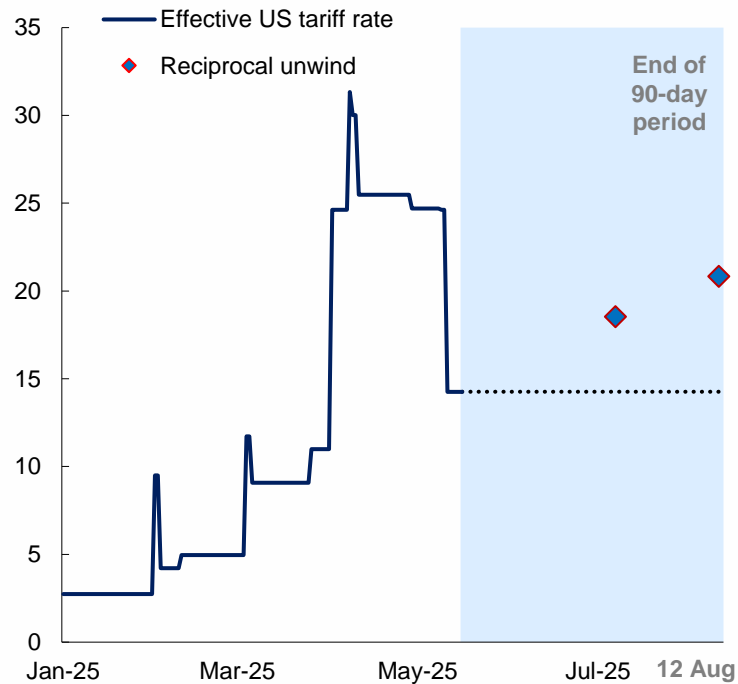
A few positive developments in recent weeks...

US tariffs fell after US-China deal, though they are still elevated ...

... and trade policy uncertainty is receding...

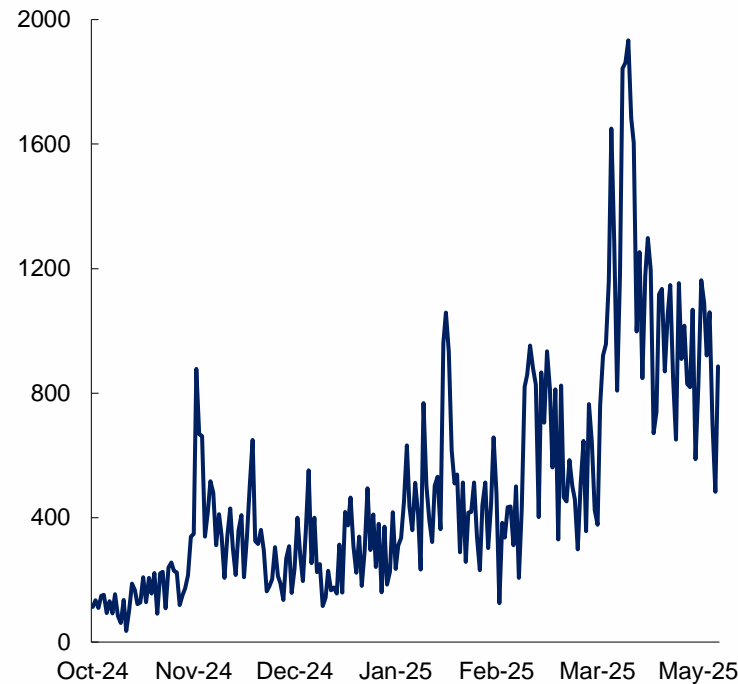
... and OPEC+ continued to accelerate its unwinding of production cuts

Effective US Tariff Rate
(Percent)



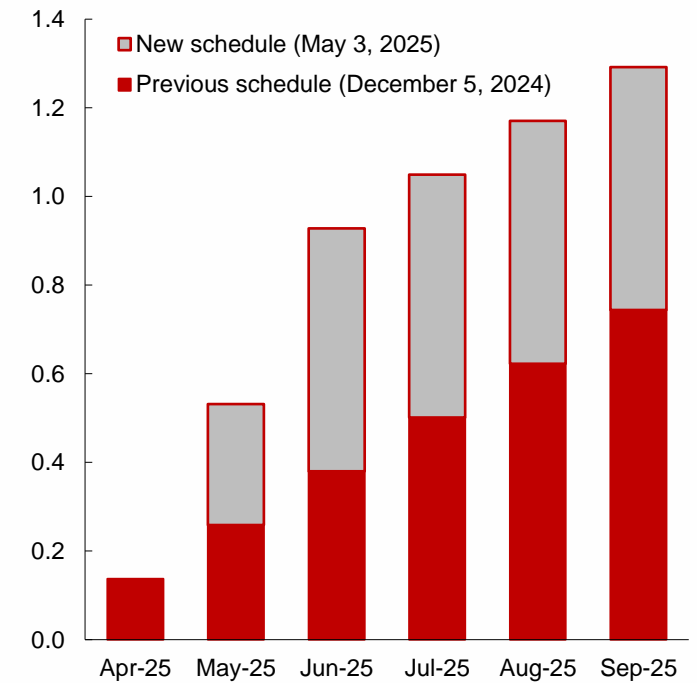
Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Trade Uncertainty Index



Sources: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "The Economic Effects of Trade Policy Uncertainty," *Journal of Monetary Economics*, 109, pp.38-59.

Cumulative Additions under the New and Previous OPEC+ Schedules
(Millions of barrels per day)



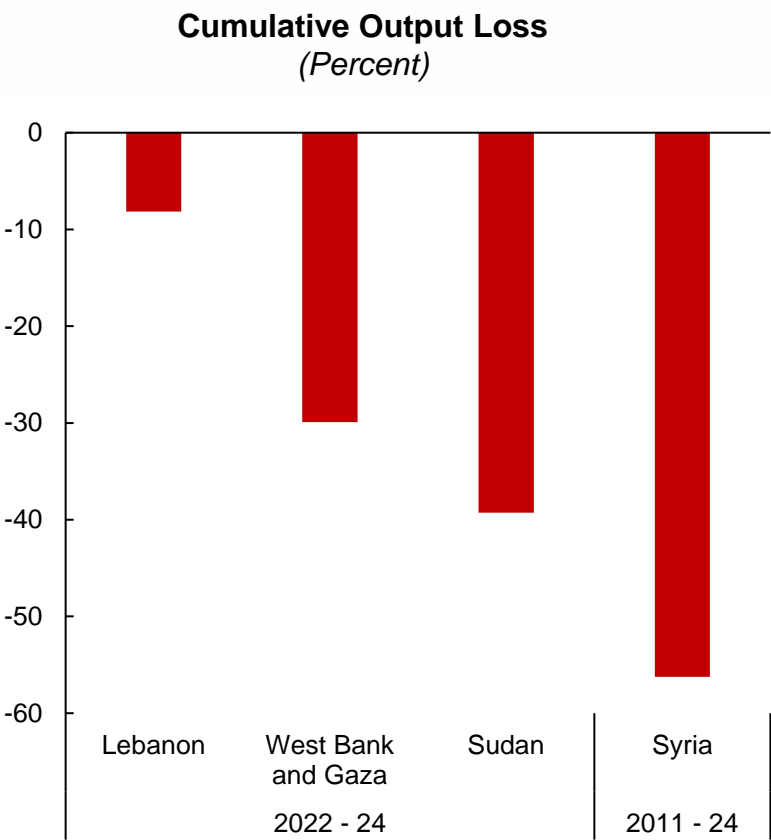
Sources: OPEC+ Press Release; and IMF staff calculations.

Regional conflicts weighed on growth in many MENA oil importers

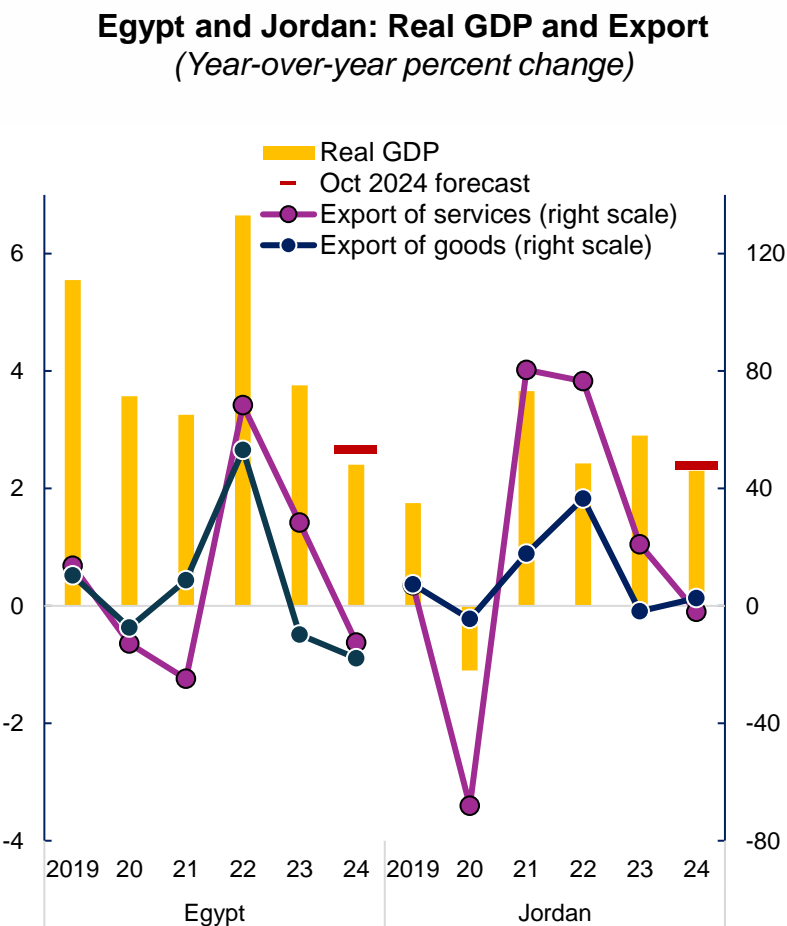
Economies in conflict experienced considerable output losses

Egypt and Jordan suffered from conflict-related spillovers

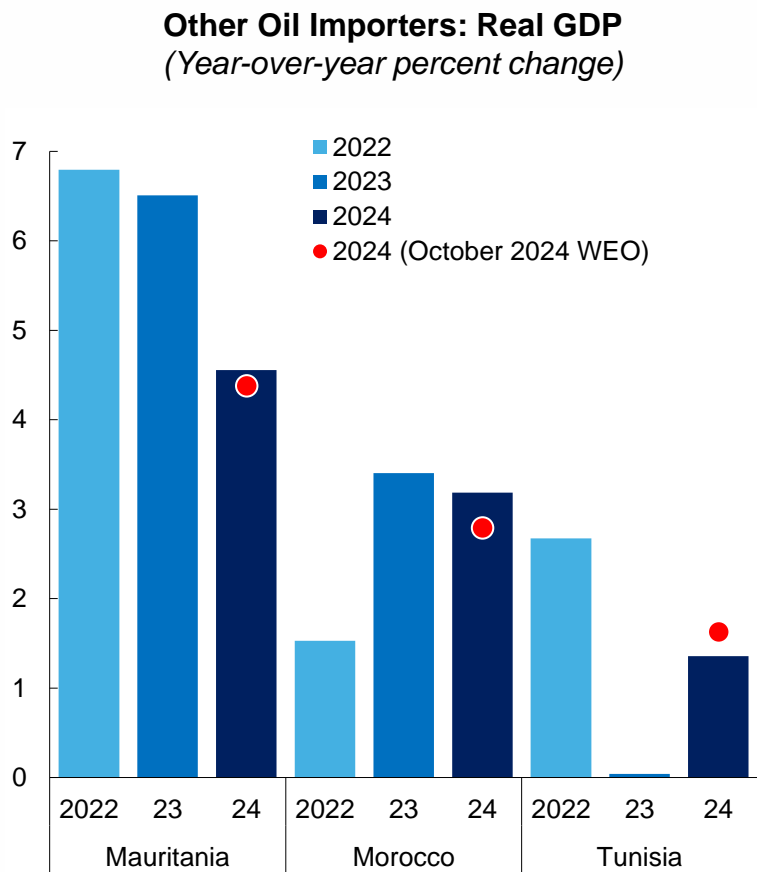
A few countries were not affected by conflicts



Sources: IMF, World Economic Outlook database; national authorities; World Bank estimates; and IMF staff calculations.



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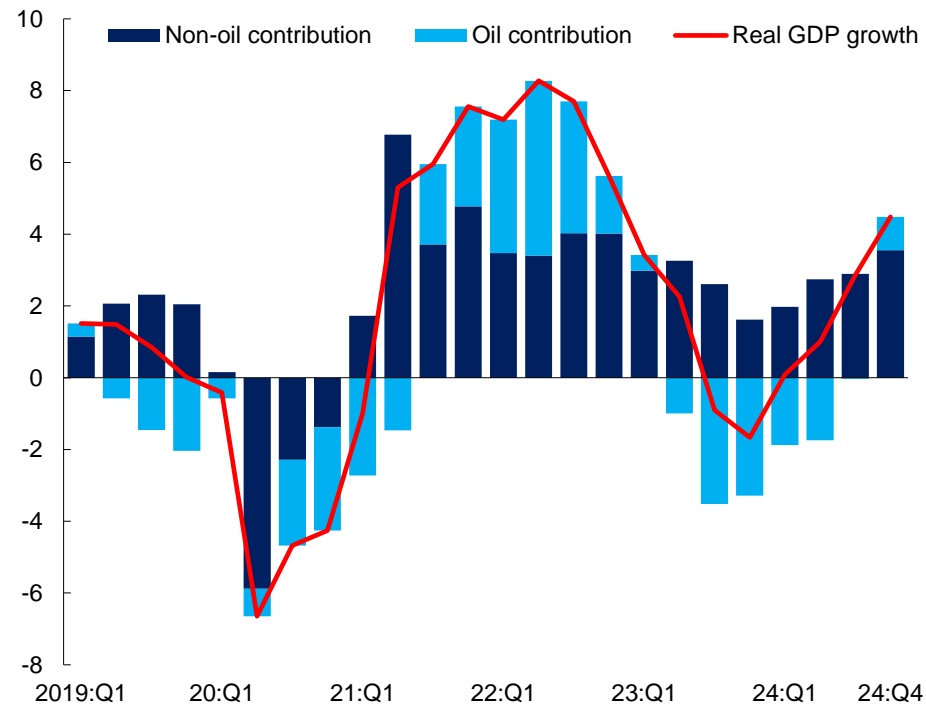
Source: IMF, World Economic Outlook database; and IMF staff calculations.

Among MENA oil exporters, growth diverged between GCC and non-GCC countries

In 2024, growth picked up in GCC economies thanks to robust non-oil activity...

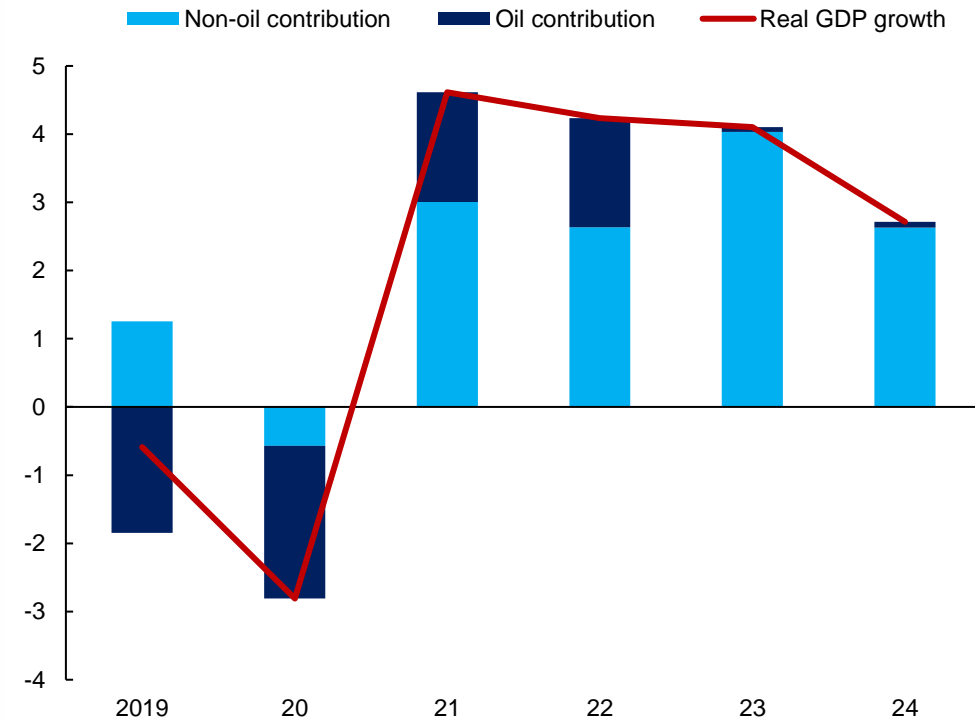
...whereas growth slowed in non-GCC economies

GCC: Real GDP, 2019Q1–24Q4
(Year-over-year percent change; weighted averages)



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

MENA Non-GCC Oil Exporters: Real GDP, 2019–24
(Year-over-year percent change; contributions in percentage points; weighted averages)



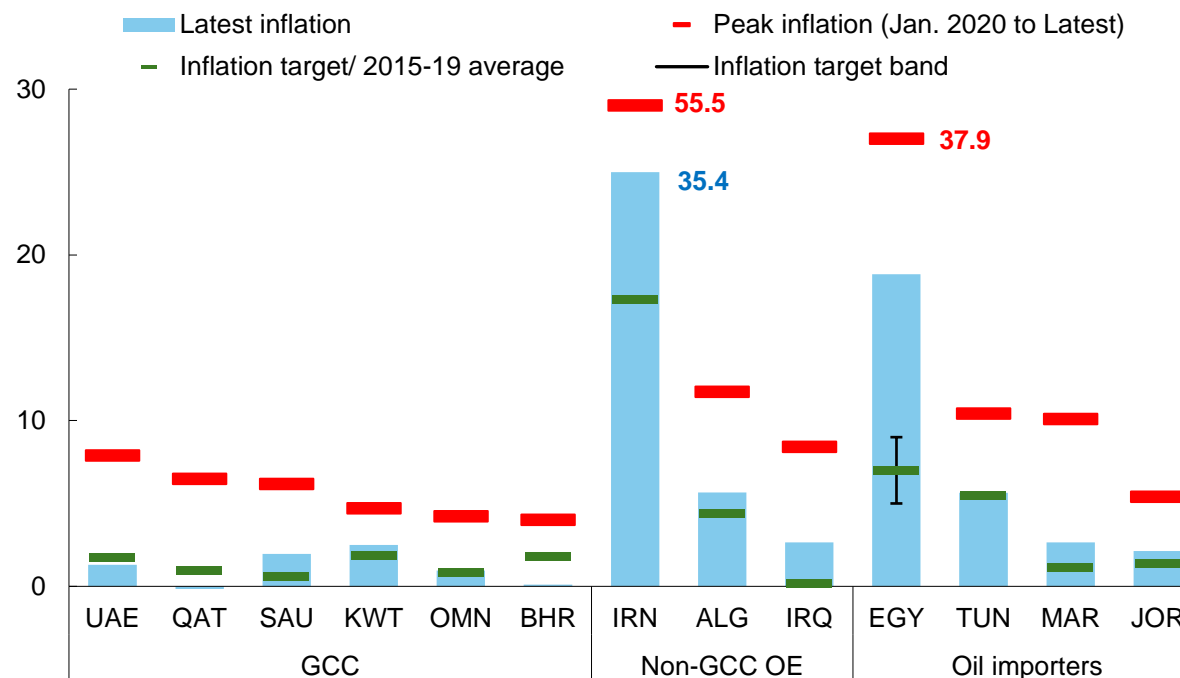
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: GCC = Gulf Cooperation Council; MENA = Middle East and North Africa.

Inflationary pressures broadly declined

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

MENA: Headline Inflation

(Year-over-year percent change)



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

Note: MENA = Middle East and North Africa; GCC = Gulf Cooperation Council; OE = Oil exporter.

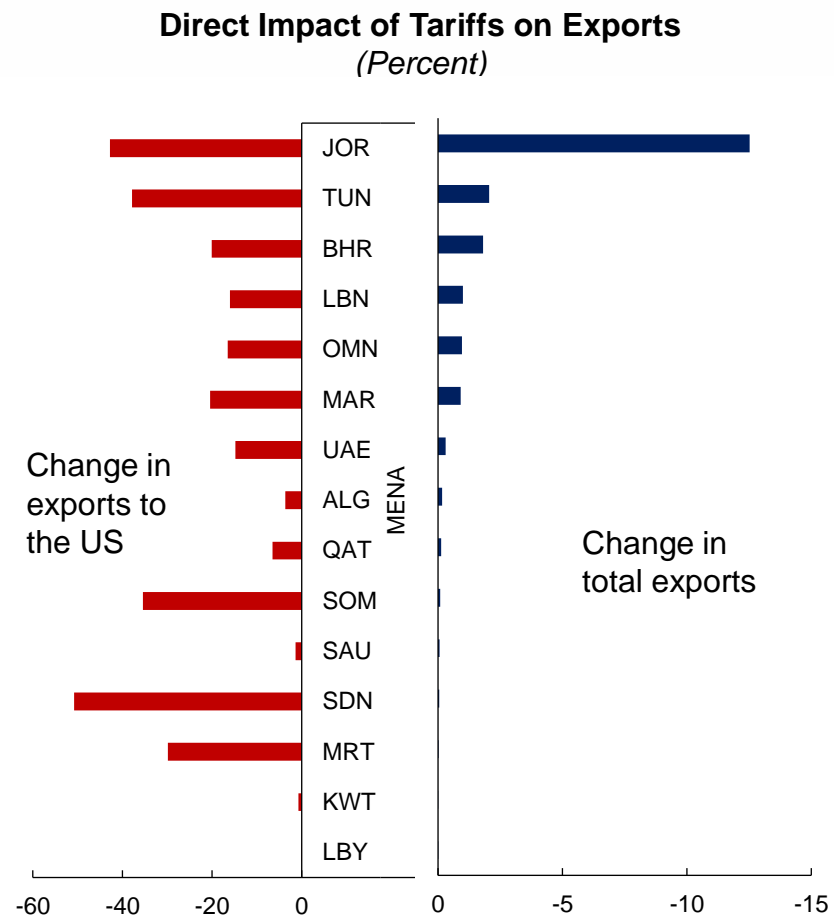
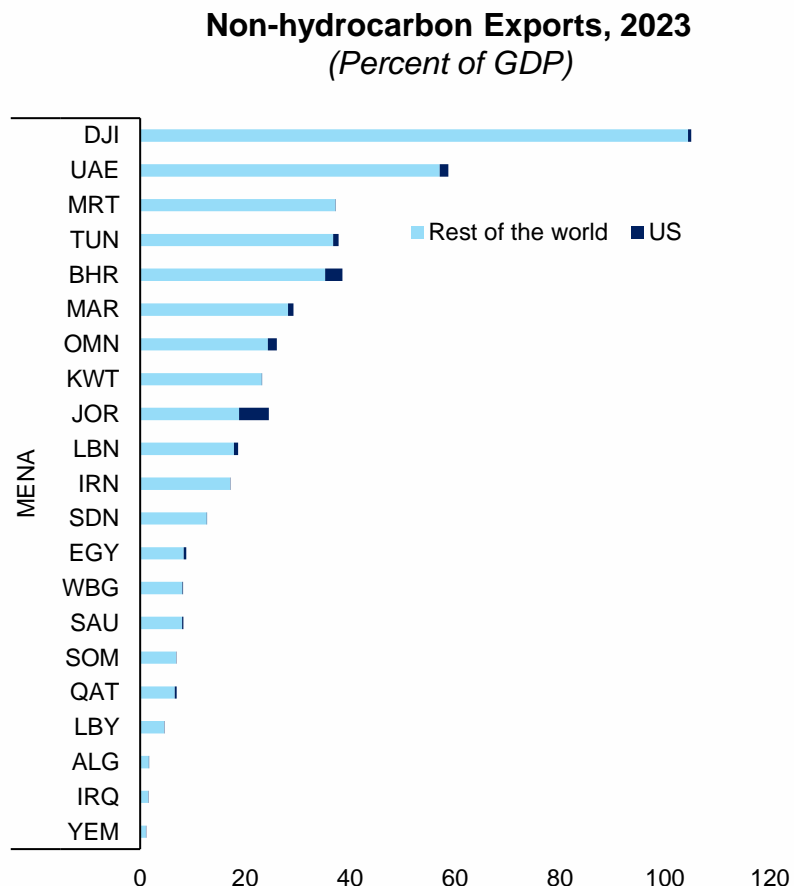
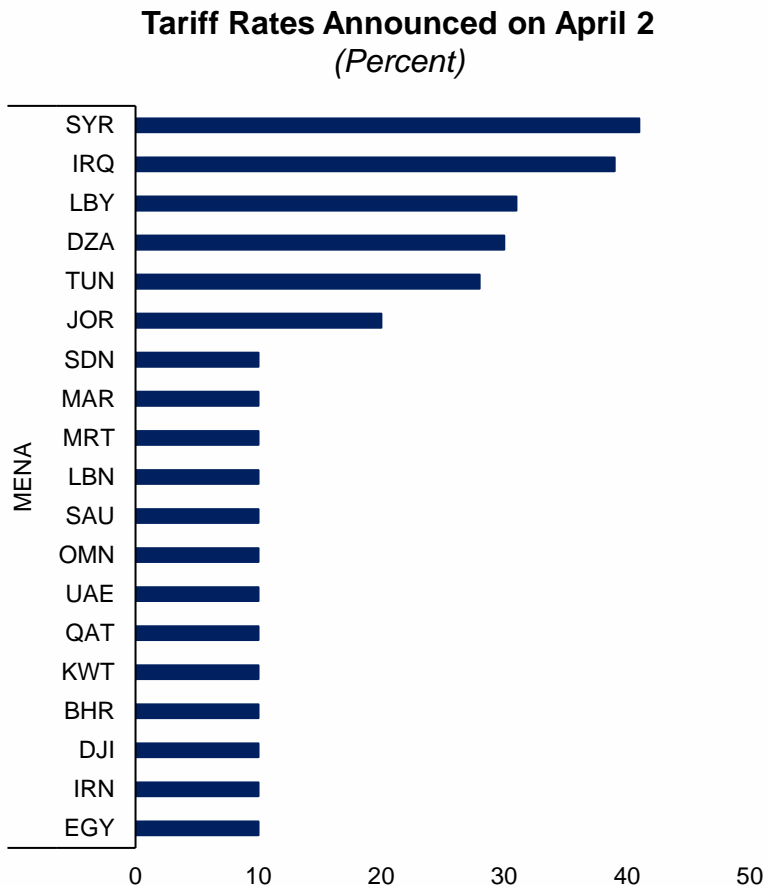
Outlook

The direct impact of the announced US tariffs is estimated to be moderate for most MENA economies

High announced tariffs rates for some economies, but exemptions...

...and little non-hydrocarbon exports to the US...

...imply a relatively contained direct impact

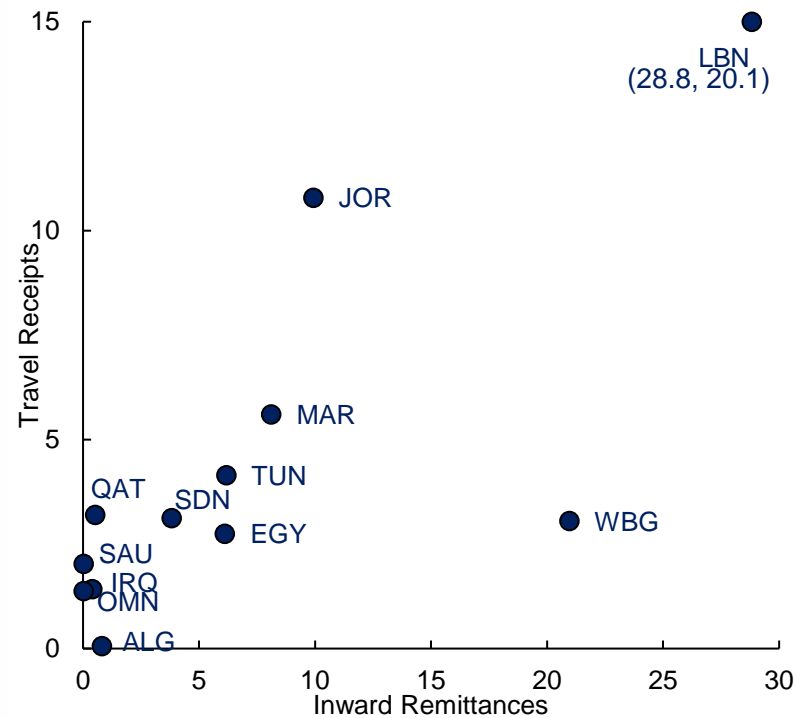


Source: IMF World Economic Outlook database; UNCTAD; and IMF staff calculations

But some countries are affected by lower global growth, tighter financial conditions, and lower oil prices

Several economies are exposed to external demand

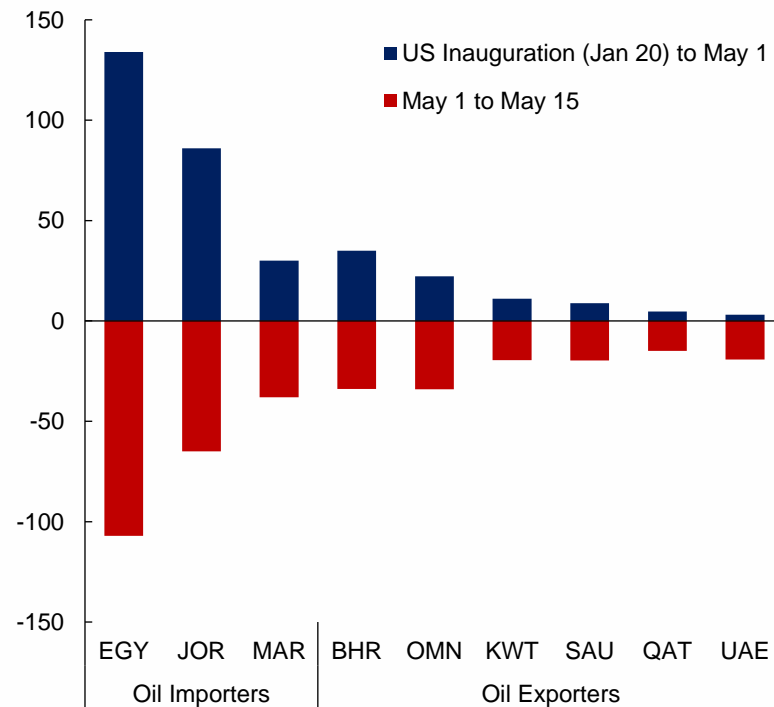
MENA: Inward Remittance and Travel Receipts, 2021-23 Averages
(Percent of GDP)



Sources: IMF, Balance of Payment database; IMF, World Economic Outlook database; and IMF staff calculations
Note: MENA = Middle East & North Africa

Sovereign spreads initially widened following the tariff announcement

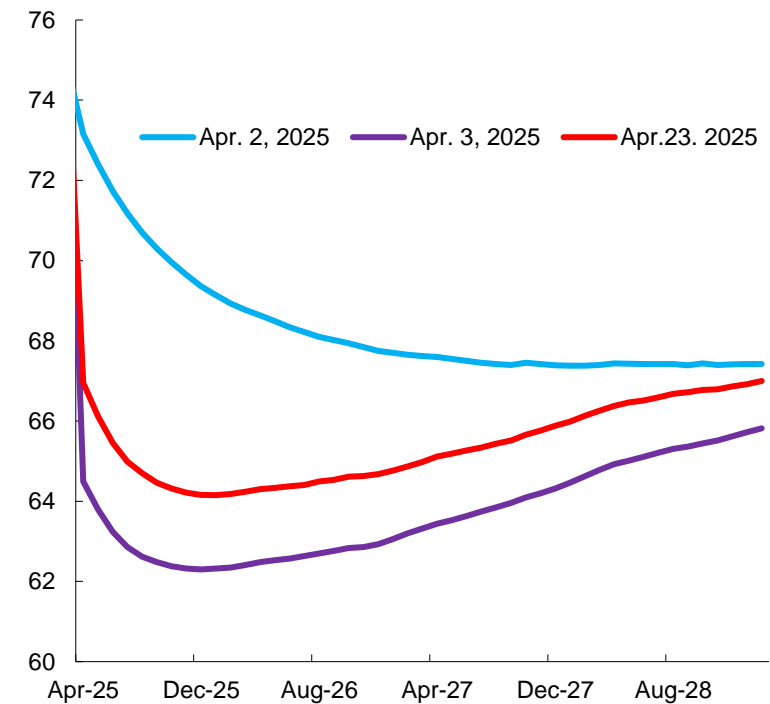
Sovereign Spreads Change
(Basis points)



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

Fears of lower global demand have resulted in lower expected oil prices

Brent Futures Curves
(US Dollars per barrel; expiration date on X-axis)

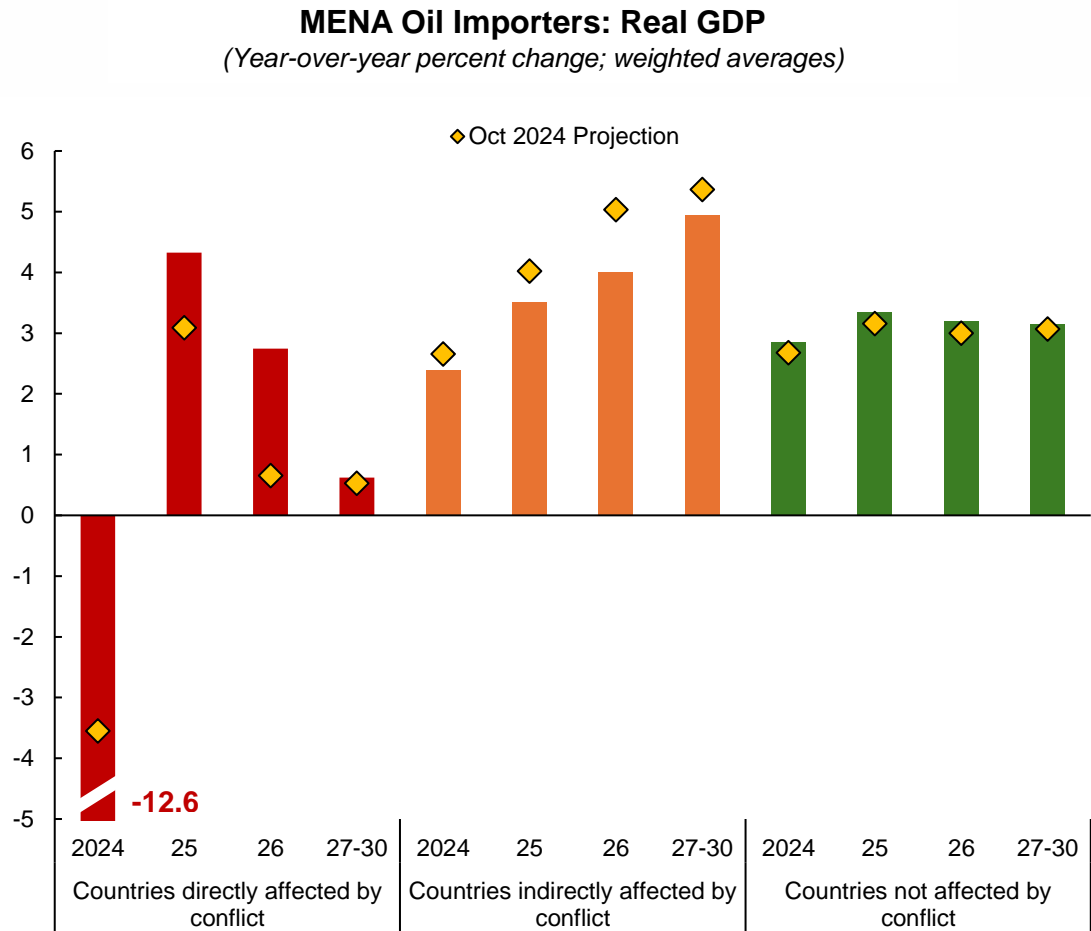
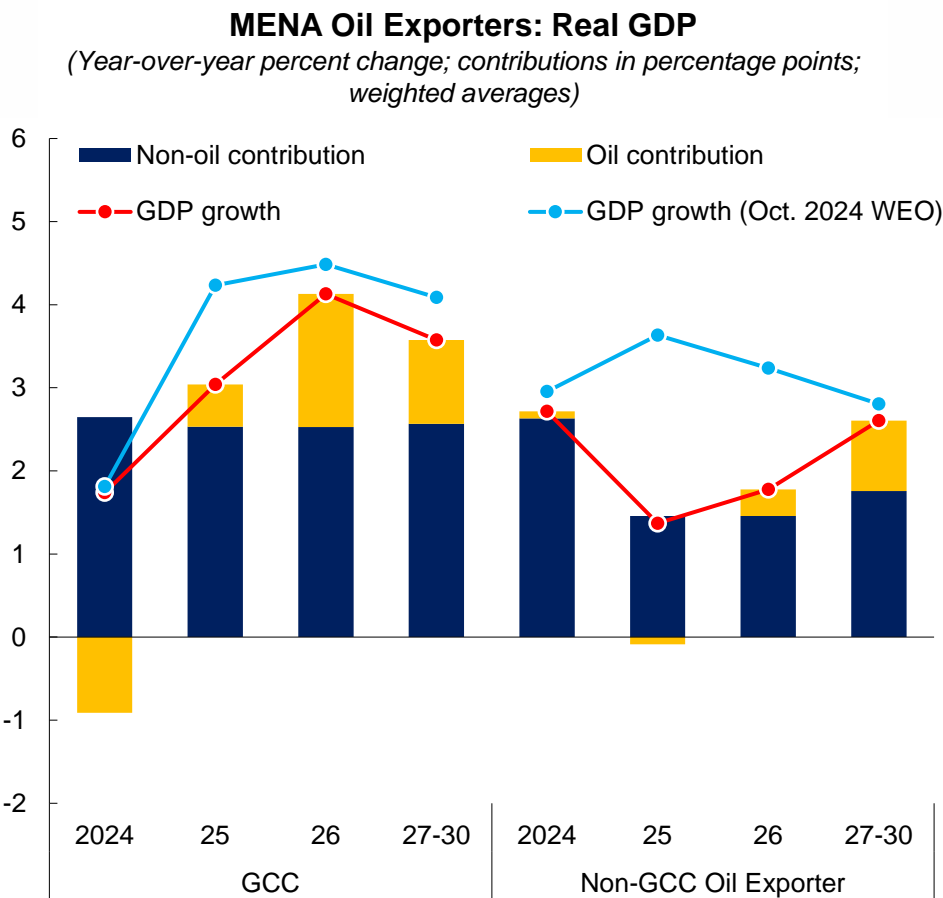


Source: Bloomberg Finance L.P.

Growth is expected to pick-up, but projections have been revised downward significantly

Lower oil prices and a more gradual resumption of oil production affecting oil exporters

In oil importers, conflicts still linger, though their impact is expected to be smaller than last year

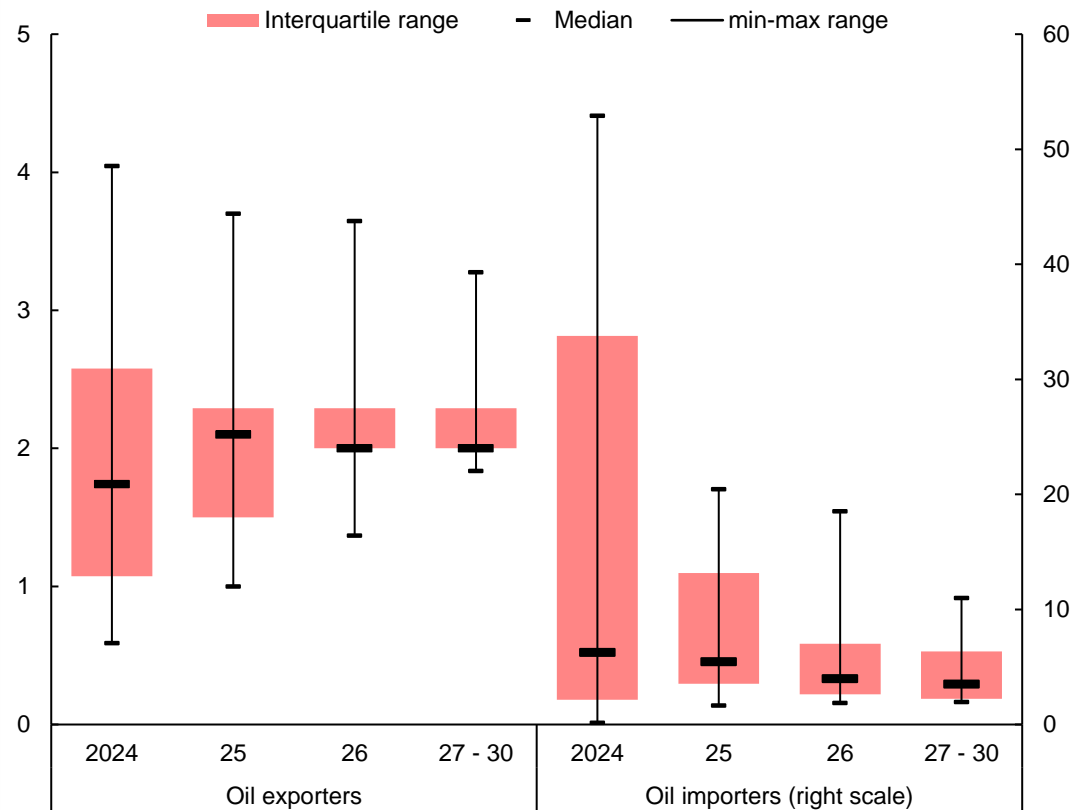


Sources: IMF, World Economic Outlook database; and IMF staff calculations
Note: Projections from October 2024 WEO are up to 2029. GCC = Gulf Cooperation Council; MENA = Middle East and North Africa.

Inflation is generally expected to continue easing...

...across the board but driven particularly by sharp adjustments in a few outliers

MENA: Headline Inflation
(Period average; year-over-year percent change)



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

Note: Oil exporters exclude data for Iran, and oil importers exclude data for Sudan. MENA = Middle East and North Africa

In MENA oil importers, higher-for-longer interest rates will pressure fiscal positions

Despite continued fiscal consolidation...

... elevated yields will make rolling over debt more costly...

...and keep financing needs high

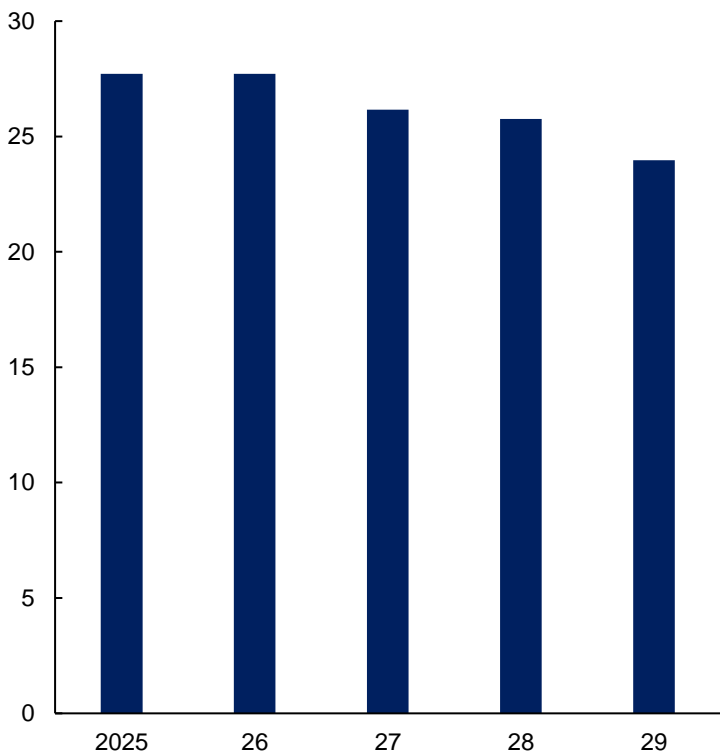
MENA Oil Importers: Primary Fiscal Balances
(Percent of GDP)



MENA Oil Importers: Effective Interest Rates
(Percent)



MENA Oil Importers: Gross Public Financing Needs
(Percent of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Notes: MENA = Middle East and North Africa.

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Notes: MENA = Middle East and North Africa. Effective interest rate is calculated as interest payments divided by the outstanding debt stock at the end of the previous period.

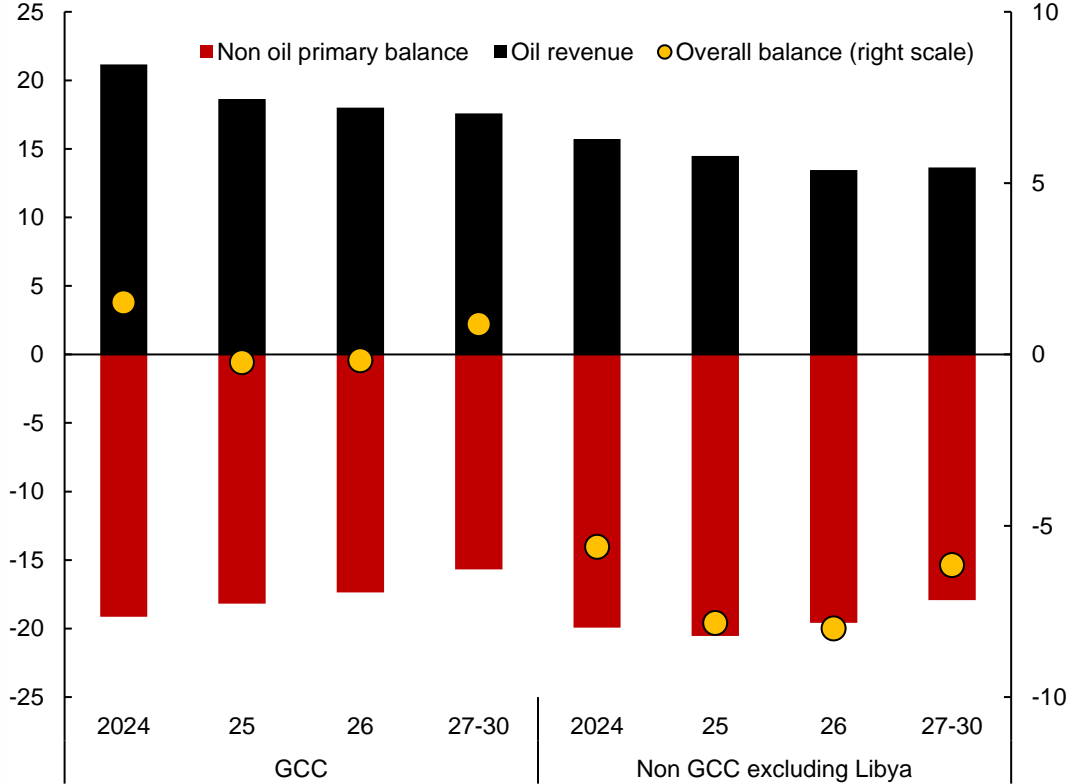
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Notes: MENA = Middle East and North Africa.

In MENA oil exporters, lower oil prices are expected to erode fiscal and external balances

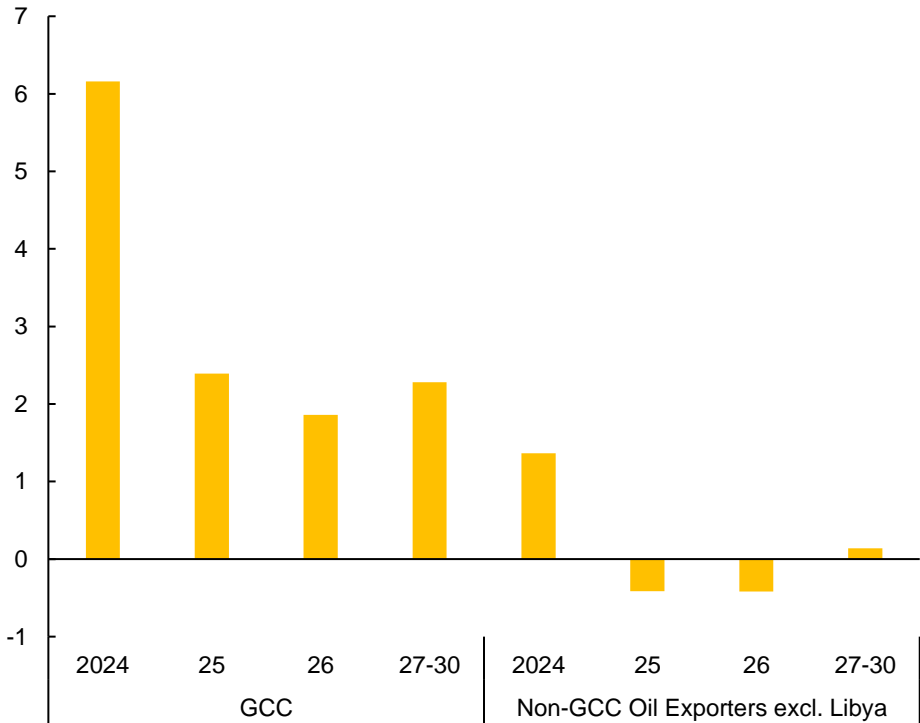
Overall fiscal balances fall in oil exporters, as lower oil revenues more than compensate narrower non-oil deficits

Robust domestic demand and lower oil prices will drive current account surpluses down

MENA Oil Exporters: Fiscal Accounts
(Percent of GDP; weighted averages)



MENA Oil Exporters: Current Account Balance
(Percent of GDP; weighted averages)

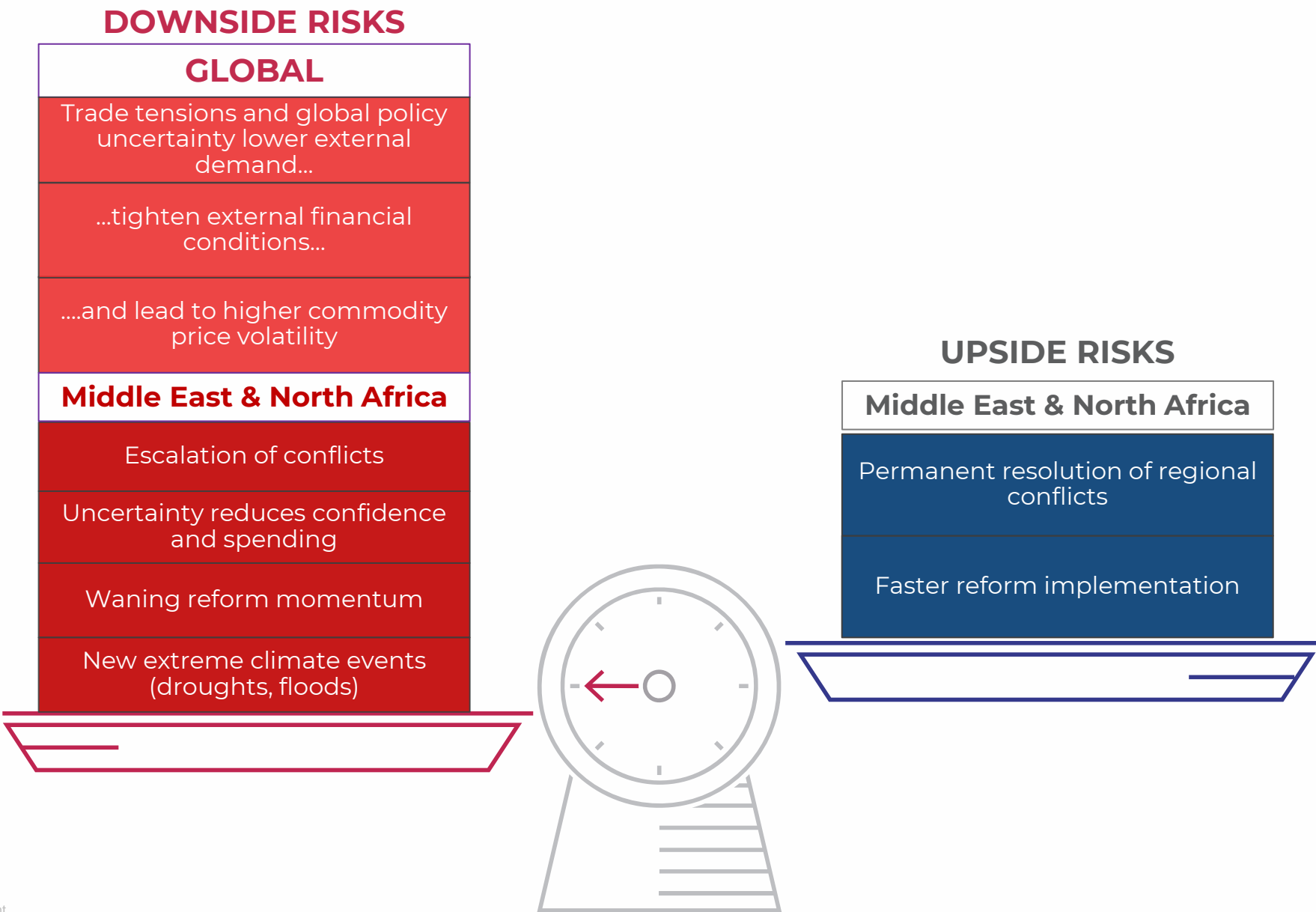


Source: IMF, Regional Economic Outlook; and IMF Staff Calculations.
Note: GCC = Gulf Cooperation Council; MENA = Middle East and North Africa

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Risks

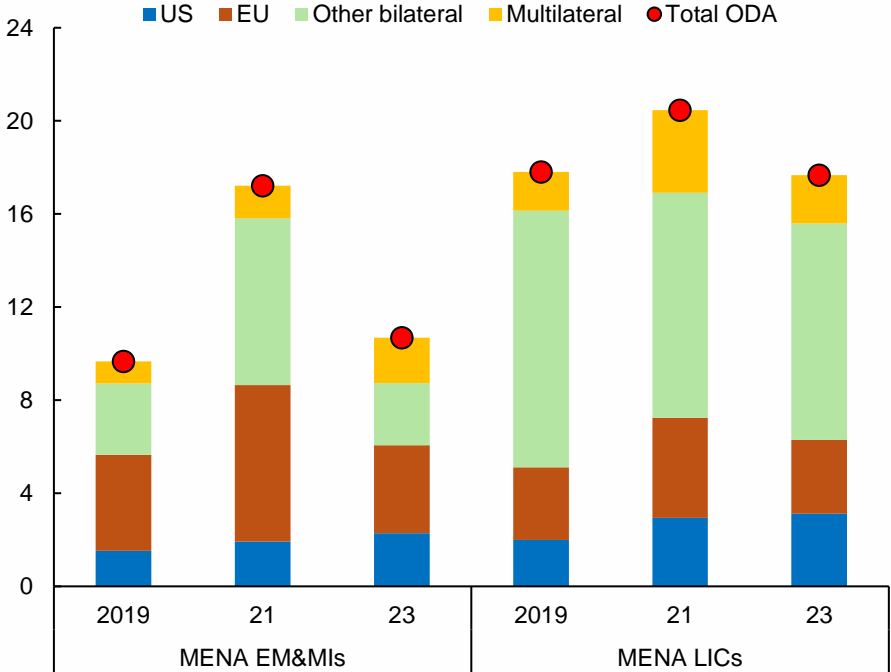
Risks Tilted to the Downside



Disruptions to foreign aid could have deep humanitarian implications

ODA to the MENA region has fallen back to prepandemic levels

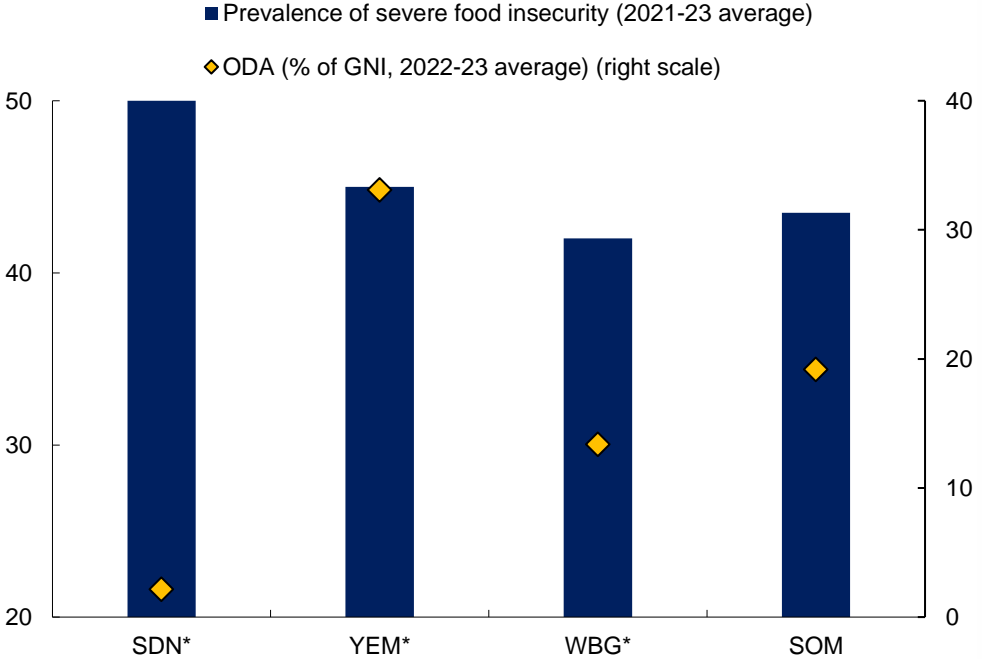
MENA Region: Official Development Assistance by Source
(Billions of dollars)



Sources: OECD, Official Development Assistance database, and IMF staff calculations.
Note: European Union includes bilateral flows from European Union countries. EM&MI = emerging market and middle-income economy. LIC = low-income country. MENA = Middle East and North Africa; ODA = official development assistance.

ODA plays a crucial role in conflict-affected states facing dire food insecurity conditions

Food Insecurity and ODA Dependence
(Percent of the population, percent of gross national income)



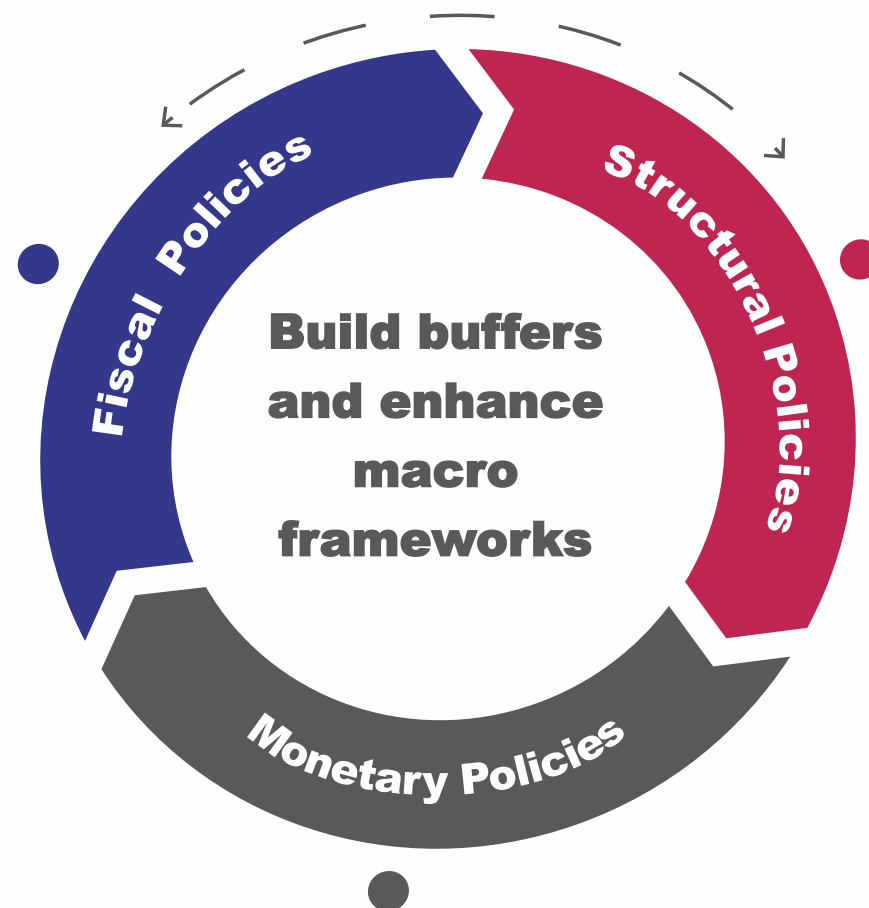
Sources: Food and Agriculture Organization of the United Nations, OECD, and IMF staff calculations.
Note: * The estimate for Sudan is from the World Food Program's estimates on the percent of the population in acute hunger in 2024. The estimate for the West Bank and Gaza and Yemen is IPC estimates on the percent of the population facing acute food insecurity in 2024. Data labels in the figure use International Organization for Standardization (ISO) country codes. ODA = official development assistance.

Policy Priorities

Against the Backdrop of Rising Uncertainty

Strengthen fiscal positions and rebuild buffers

Strengthen fiscal policy frameworks



Pursue trade diversification with non-traditional partners

Support private sector investment

Accelerate reforms that boost international competitiveness

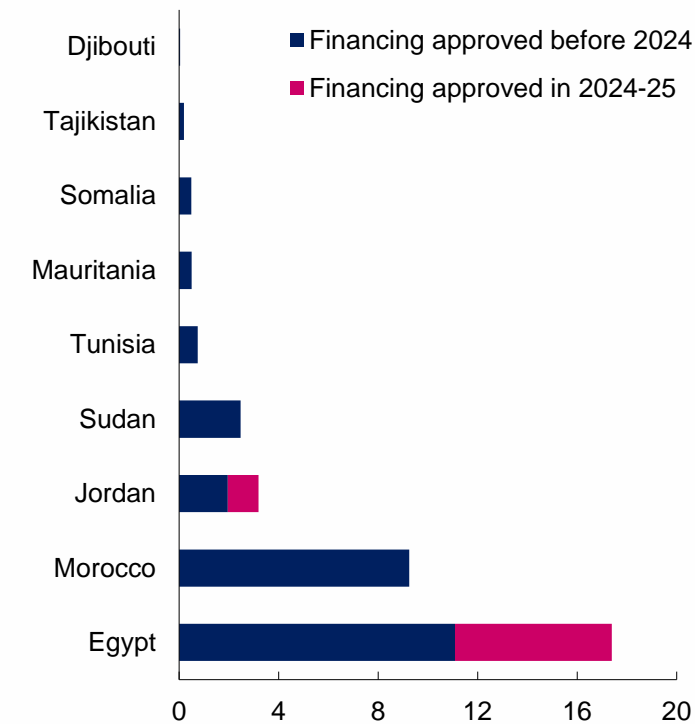
Attract FDI, develop private sectors

Strengthen monetary policy frameworks

Accumulate international reserves

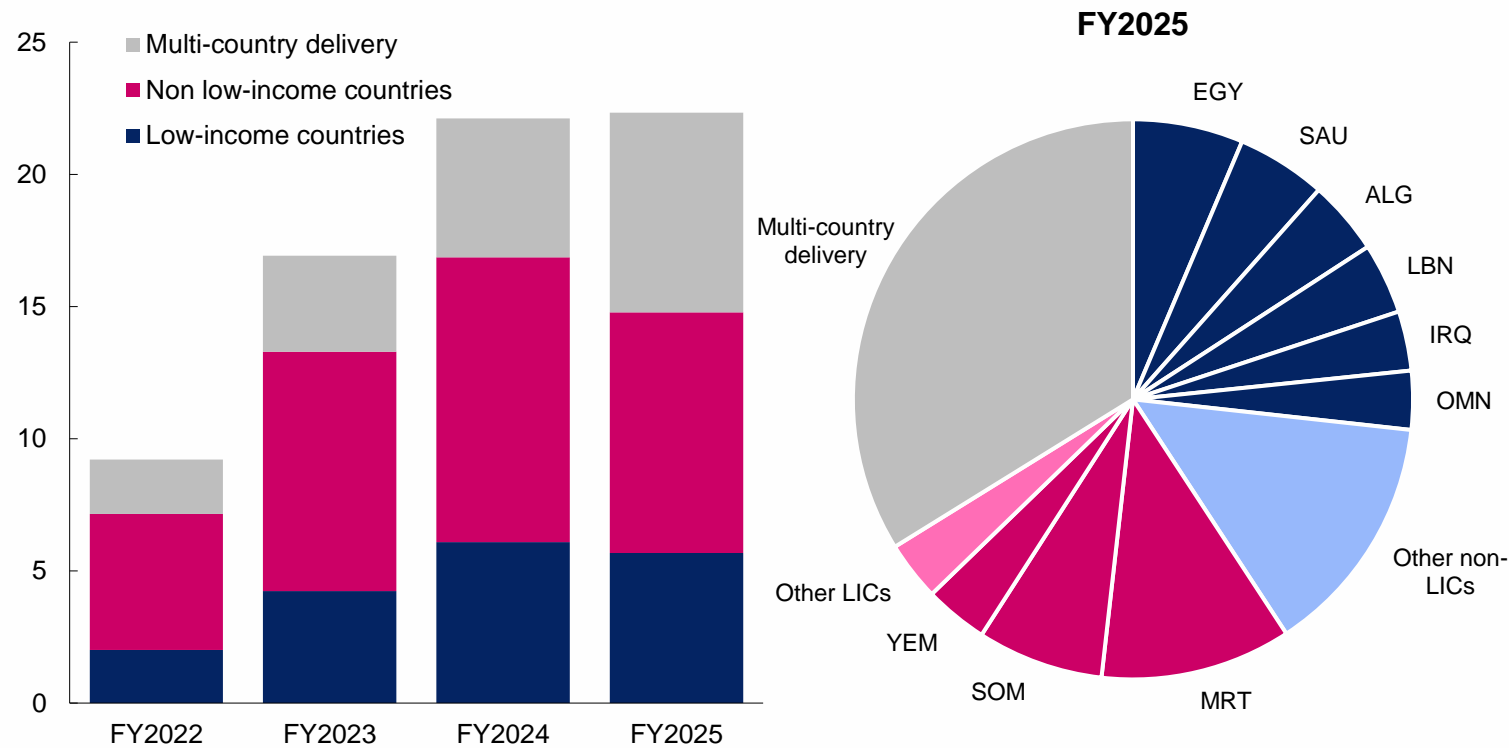
The IMF remains strongly engaged in supporting the region

MENA: IMF Financing since the Pandemic
(Since March 2020, billions of US dollars)



Source: IMF staff calculations.

MENA: Capacity Development Spending
(Millions of US dollars)



Source: IMF staff calculations.
Note: LICs include Djibouti, Mauritania, Somalia, Sudan, Syria, and Yemen.

Thank you