

Recent developments: Growth in the Middle East and North Africa strengthened this year as oil exporters recovered after a year of declining oil production and fiscal tightening and as oil importers experienced improvements in domestic and external demand.

Several oil exporting economies eased fiscal adjustment plans in response to higher oil prices. Activity in non-oil sectors registered modest growth. Algeria and Saudi Arabia expanded capital expenditure plans.

Policy reforms, stronger business confidence, and a stronger global economy supported growth in oil importers in the region. Egypt saw improvements in investment and net exports thanks to the stability of the exchange rate and stronger domestic demand. Morocco and Tunisia benefited from favorable agricultural conditions.

Inflation is contained across most of the region, financing conditions are stable, and the financial sector has deepened.

Outlook: Growth in the region is projected to strengthen to 3 percent in 2018 and to 3.3 percent in 2019, largely as oil exporters recover from the collapse of oil prices. Oil exporters are projected to increase capital investment thanks to expanded domestic revenues and higher oil prices.

Growth among members of the Gulf Cooperation Council (GCC) is anticipated to rise to 2.1 percent in 2018 and 2.7 percent in 2019, supported by higher fixed investment. Growth in non-GCC oil exporters is expected to be supported by higher capital expenditures. Saudi Arabia is forecast to expand an upwardly revised 1.8 percent this year and 2.1 percent next year. Iran is anticipated to grow 4.1 percent in 2018 and by the same amount in 2019.

Oil importing economies are forecast to see stronger growth as business and consumer confidence gets a lift from business climate reforms and improving external demand. Tourism growth is also expected to benefit from stable security conditions. Egypt is anticipated to grow by 5 percent in Fiscal Year 2017/18 (July 1, 2017-June 30, 2018) and 5.5 percent the following fiscal year. Smaller oil importers such as Jordan and Lebanon face drags to growth from external and fiscal imbalances. Jordan is forecast to grow 2.2 percent in 2018 and 2.4 percent in 2019 while Lebanon is anticipated to expand 2 percent this year and the next.

Risks: Risks to the outlook are tilted to the downside. The recent rise in oil prices may not be sustained and could be undercut by greater-than-expected U.S. shale oil production. Amplified security concerns or escalated geopolitical tensions could dampen tourism, cool investor confidence, and limit access to finance. Reforms, such as fiscal adjustments, could slow.

Positive surprises in the key trading partners' activity could support more rapid growth in the region, especially countries in the Maghreb region that depend on the Euro Area for remittances, trade, and financial flows. Accelerated reconstruction in war-torn countries such as Iraq could spur fast-than-anticipated economic expansion.

Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2015	2016	2017e	2018f	2019f	2020f
GDP at market prices (2010 US\$)						
Algeria	3.7	3.3	1.6	3.5	2.0	1.3
Bahrain	2.9	3.2	3.9	1.7	2.1	2.1
Djibouti	6.5	6.5	7.0	6.5	6.4	6.3
Egypt, Arab Rep.	4.3	4.2	4.6	5.3	5.7	5.8
<i>Fiscal year basis</i>	4.4	4.3	4.2	5.0	5.5	5.8
Iran, Islamic Rep.	-1.3	13.4	4.3	4.1	4.1	4.2
Iraq	4.8	11.0	-0.8	2.5	4.1	1.9
Jordan	2.4	2.0	2.1	2.2	2.4	2.4
Kuwait	0.6	3.5	-2.9	1.9	3.5	3.0
Lebanon	0.8	2.0	2.0	2.0	2.0	2.0
Morocco	4.5	1.2	4.0	3.0	3.5	3.7
Oman	4.7	5.4	0.7	2.3	2.5	2.9
Qatar	3.6	2.2	1.6	2.8	3.2	2.8
Saudi Arabia	4.1	1.7	-0.7	1.8	2.1	2.3
Tunisia	1.0	1.2	1.9	2.4	2.9	3.4
United Arab Emirates	3.8	3.0	2.0	2.5	3.2	3.3
West Bank and Gaza	3.4	4.7	3.1	2.5	2.3	2.3

Source: World Bank.

Notes: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.