

June 2019

Recent developments: Growth in the Middle East and North Africa is estimated to remain subdued this year at 1.3%. Activity in oil exporters has slowed due to weak oil sector output and the effects of U.S. sanctions against Iran. Growth is improving modestly in oil importers as policy reforms progress.

Oil production cuts implemented by the Organization of the Petroleum Exporting Countries and others have constrained oil sector growth in Gulf Cooperation Council economies. However, non-oil activity in large GCC economies is picking up, supported by easier fiscal stances and higher government spending.

Growth has steadily improved among oil importing economies in the region. In Egypt, government investment and natural gas output have remained strong. Morocco and Tunisia are progressing with business climate reforms. Inflation is for the most part contained in the region, although it rose sharply in Iran, reflecting a depreciation of the rial in the parallel market. Bond issuance by the GCC has remained robust this year. However, government debt in many oil importers remains high and continues to constrain their access to international finance.

Outlook: Regional growth is projected to rise to 3.2% in 2020, largely driven by rebound in growth of oil exporters. Growth in the rest of the region is projected to remain stable with broadly resilient domestic demand in some economies partly offset by slowing external demand growth.

Growth among oil exporters is anticipated to pick up to 2.9% in 2020, partly reflecting rising growth in Iraq as oil production increases. Stronger infrastructure investment, higher oil production, and eased financing conditions are expected to support stronger growth in GCC economies. Growth in Iran is expected to return next year at an 0.9% pace after a 4.5% contraction this year, as the impact of U.S. sanctions tapers off and as inflation stabilizes. Growth in Algeria is expected to be subdued at 1.7% in 2020 as fiscal consolidation weighs on non-oil activity.

Among oil importing economies, rising growth is predicated on policy reform progress and healthy tourism prospects. Continued International Monetary Fund and World Bank-supported policy programs in economies such as Egypt and Morocco will promote structural adjustment, more vibrant small business entrepreneurship, and electricity access. Growth in Egypt is anticipated to rise to 5.8% in fiscal year 2020 from 5.5% this fiscal year.

Risks: Risks to the regional outlook are tilted to the downside. Political challenges remain large in oil importing economies. An escalation of intra- and interregional geopolitical tensions would pose risks for not only growth prospects, but also the humanitarian challenges associated with the ongoing refugee crisis. Developments in oil production in Iran, Venezuela, or the United States could add volatility to oil prices, complicating or stalling fiscal adjustment in oil exporters and importers alike, including subsidy reforms and other fiscal adjustment programs. Uncertainty about oil prices could dampen oil exporters' investment and social programs and might impact oil importing economies' capital inflows and investment. A deceleration of reform programs would weigh on regional activity, especially for oil importers. Further escalation of trade tensions is an additional key risk, as increased trade restrictions could dampen external demand from key major trading partners, including the Euro Area.

In non-GCC economies, banking sectors are in some cases exposed to sovereign risks associated with high public debt and policy uncertainty. Among oil importers, high public debt exposes these economies to rollover risk and fluctuations in global interest rates.

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Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2016	2017	2018e	2019f	2020f	2021f
GDP at market prices (2010 US\$)						
Algeria	3.2	1.4	1.5	1.9	1.7	1.4
Bahrain	3.5	3.8	1.8	2.0	2.2	2.8
Djibouti	9.1	4.1	6.0	7.0	7.5	8.0
Egypt	4.3	4.8	5.4	5.7	5.9	6.0
<i>Fiscal year basis</i>	4.3	4.2	5.3	5.5	5.8	6.0
Iran	13.4	3.8	-1.9	-4.5	0.9	1.0
Iraq	13.6	-1.7	0.6	2.8	8.1	2.3
Jordan	2.0	2.1	2.0	2.2	2.4	2.6
Kuwait	2.9	-3.5	1.2	1.6	3.0	2.9
Lebanon	1.6	0.6	0.2	0.9	1.3	1.5
Morocco	1.1	4.1	3.0	2.9	3.5	3.6
Oman	5.0	-0.9	2.1	1.2	6.0	2.8
Qatar	2.1	1.6	1.4	3.0	3.2	3.4
Saudi Arabia	1.7	-0.7	2.2	1.7	3.1	2.3
Tunisia	1.1	2.0	2.5	2.7	3.2	3.5
United Arab Emirates	3.0	0.8	1.7	2.6	3.0	3.2
West Bank and Gaza	4.7	3.1	0.9	0.5	1.0	1.6

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.

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