

January 2021

Recent developments: The COVID-19 pandemic caused output losses in the region of an estimated 5% in 2020. Employment losses spiked in many economies and employment remains depressed. The income shock from the pandemic is expected to increase the number of people below the \$5.50 per day poverty line in the region by tens of millions this year.

Output in Middle East and North Africa (MENA) oil exporters is estimated to have contracted by 5.7% last year. Oil sector output growth continues to be constrained by commitments to the OPEC+ production cut agreement. Oil importers experienced a milder contraction of 2.2% in 2020, reflecting an initially limited COVID-19 outbreak in the first half of the year and lower oil prices. However, the pace of new infections has risen rapidly and fresh policy uncertainty has compounded the impact of pandemic-related disruptions to activity.

Most economies in the region have announced fiscal stimulus packages that include increased spending on health and social safety nets, tax payment reductions and deferrals, and loans and guarantees to firms. Monetary policy adjustments have also helped to cushion the economic impact of the pandemic, with the average interest rate cuts of over 125 basis points.

Outlook: Economic activity in the Middle East and North Africa is forecast to recover modestly to 2.1% in 2021, reflecting the lasting damage from the pandemic and low oil prices. The recovery is contingent on containment of the pandemic, stabilizing oil prices, no further escalation of geopolitical tensions, and the assumption of a vaccine rollout in the second half of the year. By 2022, after two years of expected recovery, output is still about 8% below the output projected prior to the pandemic, with a larger impact on oil importers than exporters.

Among oil exporters, growth is expected to recover to 1.8% this year, supported by normalizing oil demand, the scheduled easing of the OPEC+ oil production cuts, policy support, and the gradual phasing out of domestic pandemic-related restrictions. In Saudi Arabia, activity will be supported by a resumption of public capital investment projects postponed during the pandemic and a recovery of demand after the sharp rise of the value added tax. Growth in the Islamic Republic of Iran is expected to recover due to rebounds in domestic consumption and tourism and moderating disruptions from COVID-19.

Growth in oil importers is expected to rebound to 3.2% in 2021 as mobility restrictions are gradually eased and exports and domestic demand recover slowly. In the Arab Republic of Egypt, growth is expected to slow to 2.7% in fiscal year 2020/2021, amid a collapse in tourism, gas extractives and a slowdown in other key sectors such as manufacturing. Morocco is expected to rebound to 4.0% in 2021 as the country's agricultural output recovers from drought and the government eases domestic lockdowns.

Risks: Risks are tilted to the downside and are related to the trajectory of the pandemic and its social impacts, downward pressure on oil prices, domestic political uncertainty, and geopolitical tensions. Mitigation measures have been re-imposed in parts of some countries (Algeria, Jordan, Lebanon) and may become more widespread, given that about a third of MENA's economies are seeing an accelerating pace of new infections in late 2020. More severe outbreaks in large regional economies could impose inter-regional spillover effects. A downturn in oil prices, excessive volatility, or an extension of the OPEC+ oil production cuts could hinder growth in oil-exporting emerging market and developing economies in the region. Oil importers could also be affected by a downturn in oil prices through lower remittances and a decline in foreign direct investment from oil exporting countries in the region.

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Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2018	2019	2020e	2021f	2022f
GDP at market prices (2010 US\$)					
Algeria	1.2	0.8	-6.5	3.8	2.1
Bahrain	1.8	1.8	-5.2	2.2	2.5
Djibouti	8.4	7.5	-1.0	7.1	7.2
Egypt, Arab Rep.^a	5.3	5.6	3.6	2.7	5.8
Iran, Islamic Rep.^a	-6.0	-6.8	-3.7	1.5	1.7
Iraq	-0.6	4.4	-9.5	2.0	7.3
Jordan	1.9	2.0	-3.5	1.8	2.0
Kuwait	1.2	0.4	-7.9	0.5	3.1
Lebanon^b	-1.9	-6.7	-19.2	-13.2	..
Morocco	3.1	2.5	-6.3	4.0	3.7
Oman	0.9	-0.8	-9.4	0.5	7.9
Qatar	1.2	0.8	-2.0	3.0	3.0
Saudi Arabia	2.4	0.3	-5.4	2.0	2.2
Tunisia	2.7	1.0	-9.1	5.8	2.0
United Arab Emirates	1.2	1.7	-6.3	1.0	2.4
West Bank and Gaza	1.2	1.4	-7.9	2.3	2.4

Source: World Bank.

Note: 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.

a. Refers to fiscal year. Please see regional annex for details on fiscal year reporting.

b. Forecasts for Lebanon beyond 2021 are excluded due to a high degree of uncertainty.

[Download the data](#)

World Bank Group COVID-19 Response

The [World Bank Group](#), one of the largest sources of funding and knowledge for developing countries, is taking [broad, fast action](#) to help developing countries strengthen their pandemic response. It is supporting public health interventions, working to ensure the flow of critical supplies and equipment, and helping the private sector continue to operate and sustain jobs.

The World Bank Group is making available up to \$160 billion over a 15-month period ending June 2021 to help more than 100 countries protect the poor and vulnerable, support businesses, and bolster economic recovery. This includes \$50 billion of new IDA resources through grants and highly concessional loans and [\\$12 billion for developing countries](#) to finance the purchase and distribution of COVID-19 vaccines.