

January 2020

**Recent developments:** Growth in the region slowed to an estimated 0.1% in 2019, largely reflecting the sharp growth deceleration in the Islamic Republic of Iran, following the tightening of US sanctions, geopolitical tensions in the Strait of Hormuz, and diplomatic setbacks. Weakened global growth reduced demand for oil and other exports, further hindering activity in the region generally.

Government investment has been supportive of activity in some oil exporters, including those in the Gulf Cooperation Council (GCC). However, these developments were insufficient to offset weak activity in the oil sector.

Among oil importers, growth has been more stable. In Egypt, the subregion's largest economy, net exports as well as investment, partly supported by more accommodative monetary stance, continued to support growth. Favorable tourism activity continues to support growth in oil importers, especially Morocco and Tunisia. However, agricultural production has weighed on activity in Morocco.

**Outlook:** Regional growth is projected to accelerate to 2.4% in 2020, largely driven by higher investment, promoted by public sector infrastructure initiatives and stronger business climates. Iran's economy is forecast to stabilize, assuming the impact of sanctions tapers somewhat. Despite the projected growth acceleration, long-standing challenges, such as high unemployment rates among youth and women and high poverty rates in some countries, will remain.

Among oil exporters, growth is expected to pick up to 2%. Infrastructure investment and business climate reforms are seen advancing growth among the Gulf Cooperation Council economies to 2.2%. Iran's economy is expected to stabilize after a contractionary year as the impact of sanctions tapers and oil production and exports stabilize, while Algeria's growth is anticipated to rise to 1.9% as policy uncertainty abates and investment picks up. Investment associated with reconstruction and fiscal easing are expected to support Iraq's growth. Facilities expansion in oil and gas sectors is also expected to support activity in many oil exporters.

Growth in oil importers is expected to rise to 4.4%. Egypt's growth is expected to rise to 5.8% in fiscal year 2020, supported by further improvement in private consumption and investment. Policy reforms and resilient tourism activity are expected to support a pickup in growth of Morocco and Tunisia to 3.5% and 2.2%, respectively, in 2020. For smaller oil importers, banking sector fragility and high public debt are significant constraints on growth.

Medium-term growth prospects for the region are contingent on an attenuation of armed conflicts, and on limiting their regional spillovers. Structural reforms, such as those to provide stronger fiscal management and to enhance the investment climate, are underway in many GCC and non-GCC economies.

**Risks:** Risks include the long-standing risks from geopolitical conflicts, slower-than-expected reform pace, and volatility in oil prices as well as more recent risks associated with reescalation of global trade tensions.

Geopolitical risks have increased substantially. Uncertainty in the pace of reform also clouds MENA's growth prospects, particularly in non-GCC economies. In addition, a sharp rise in oil price volatility may complicate or stall fiscal adjustments in both oil exporters and importers. It could set back investment programs in oil exporters and cause difficulties for subsidy reforms in oil importers by increasing the uncertainty associated with future revenue and income streams.

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## Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2017	2018	2019e	2020f	2021f	2022f
GDP at market prices (2010 US\$)						
<b>Algeria</b>	1.3	1.4	1.3	1.9	2.2	2.2
<b>Bahrain</b>	3.8	2.2	2.0	2.1	2.4	2.4
<b>Djibouti</b>	5.1	5.5	7.2	7.5	8.0	8.4
<b>Egypt</b>	4.8	5.5	5.7	5.9	6.0	6.0
<i>Fiscal year basis</i>	4.2	5.3	5.6	5.8	6.0	6.0
<b>Iran</b>	3.8	-4.9	-8.7	0.0	1.0	1.0
<b>Iraq</b>	-2.5	-0.6	4.8	5.1	2.7	2.5
<b>Jordan</b>	2.1	1.9	2.0	2.2	2.4	2.5
<b>Kuwait</b>	-3.5	1.2	0.4	2.2	2.0	2.0
<b>Lebanon</b>	0.6	0.2	-0.2	0.3	0.4	0.5
<b>Morocco</b>	4.2	3.0	2.7	3.5	3.6	3.8
<b>Oman</b>	0.3	1.8	0.0	3.7	4.3	4.3
<b>Qatar</b>	1.6	1.5	0.5	1.5	3.2	3.2
<b>Saudi Arabia</b>	-0.7	2.4	0.4	1.9	2.2	2.4
<b>Tunisia</b>	1.8	2.5	1.6	2.2	2.6	2.6
<b>United Arab Emirates</b>	0.5	1.7	1.8	2.6	3.0	3.0
<b>West Bank and Gaza</b>	3.1	0.9	0.5	2.5	2.6	2.7

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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